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Facts, Figures and Promises

Hawkes Says Federal Planners' Goal Is Destruction Of Free Enterprise System And Unhampered Individual Initiative

Declaring that the Federal planners appear to have as their objective "the assumption of greater power and control over individual life," U. S. Senator Albert W. Hawkes (Rep., N. J.) warned last week that if the policies of the past 10 years are continued they "can only lead to the destruction of the system of free enterprise and unhampered private initiative and the substitution of state direction and control of all the lives of our citizens."

Sen. A. W. Hawkes

In an address before the annual dinner of the Controllers Institute of America, at the Waldorf-Astoria in New York City, Senator Hawkes called on American businessmen "to take part in the American system of government, by acting now to reverse the trend in governmental affairs." He added that, otherwise, the trend "will lead ultimately to the destruction of states' rights, the socialization of the school system, of medicine, of the legal profession and of business and industry."

The Senator also cautioned that after peace comes jobs must be found for returning servicemen and war workers through the re-

(Continued on page 1308)

Our Post-War National Debt

Doctor Saxon Urges Return to Economic and Fiscal Sanity In Spending and Taxation If $300 Billion Post-War Debt Is to Be Repaid

A return to economic and fiscal sanity in spending and taxation will be required if the post-war national debt of $300,000,000,000 is to be repaid in honest dollars, it was asserted on Sept. 20 by Olin Glenn Saxon, President of the Pennsylvania Economy League and Professor of Economics at Yale University.

In an address before the annual meeting of the Controllers Institute of America in New York City, Doctor Saxon expressed the belief that this huge debt can and will be paid if the American people have the moral fibre and economic good sense to do it.

Dr. O. Glenn Saxon

Pointing out that the national debt and taxes must be thought of in terms of work, since work is a major factor in production, Doctor Saxon said that "if the average wage of a worker were $1 an hour, a $300,000,000,000 debt means that every one of America's 50,000,000 workers would have to contribute 6,000 hours or 150 weeks of 40 hours, or about three work-years, to pay off the debt." He added that the annual interest alone, at 3%, would require 9,000,000,000 work-hours per year.

With respect to Secretary of the Interior Ickes' recent "astounding" statement that the United States are worth $12,023,000,000,000, Doctor Saxon termed the statement quite "irresponsible" and said "it belittles the gravity of our skyrocketing national debt" ("already," he noted, "the largest in all history") and "poohpoohs the possibility of national bankruptcy." He stated that "our people will gladly make all necessary sacrifices in lives and dollars to

(Continued on page 1306)

Post-War Tax Program Advanced By Magill

Former Under Secretary of Treasury Predicts Federal Budget of $20 Billions

Says Personal Income Taxes Will Remain at 1942 Levels, but Corporate Taxes Will Be Lower—Would Repeal Profits Tax to Foster Business

Average expenditures of the Federal Government will run about 20 billion dollars annually, during the first ten years following the war, it was predicted on Sept. 22 by Roswell Magill, member of the New York law firm of Cravath, de Gersdorff, Swaine & Wood, and formerly Under-Secretary of the U. S. Treasury, in an address on "The Post-War Federal Tax System," delivered at the 12th annual meeting of the Controller's Institute of America at the Waldorf-Astoria in New York City.

Roswell Magill

In outlining the necessary changes in the post-war tax system, Mr. Magill said it was probable that individual income taxes would be maintained at 1942 rates; that corporate income tax rates would be gradually reduced; that excess profits taxes would be abolished; that a general sales tax would probably be adopted; and that gift and estate taxes would be coordinated into a single transfer tax.

The necessary 20 billions of annual Federal revenue could be raised, he stated, from individual income taxes of $8 billions, corporation income taxes of $4.4 billions, estate and gift taxes of $1 billion, liquor taxes of $1.5 bil-

(Continued on page 1310)

Corn Exchange Bank Of Philadelphia Now 85 Years Old

The Corn Exchange National Bank and Trust Co. of Philadelphia marked the 85th anniversary of its founding on Sept. 23.

David E. Williams

The total resources of the institution — the second largest national bank in Philadelphia —now stand at an all-time high — being well in excess of $200,000,000, which contrasts with the original figure of less than $200,000 in 1858. When the bank first opened for business on Sept. 23, 1858, as a State institution, it had a paid-in capital of $130,000. However, five years later, when the institution was placed under the National Banking Act, the capital was increased

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Special editorial material pertaining to SAVINGS and LOAN ASSOCIATIONS on page 1318.

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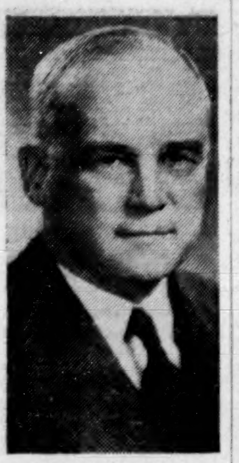
How Far Can We Go In Organizing Peace?

Senator Harold H. Burton of Ohio at the two day Forum on "Our Future World" held at Christ Church, New York City spoke on "How far can we go in Organizing Peace?" We give below the address of Senator Burton:

How far can we, the people of the United States, go in organizing peace?


Hon. H. H. Burton

The question is timely and practical. It deserves a specific and practical answer. I shall, therefore, break the question into three parts. First, how far can we go within the United States? Second, how far can we go within the Western Hemisphere? Third, how far can we go on a world-wide basis? In each case the question is how far can we go toward establishing and organizing a just and lasting peace that will live and grow with us?

1. Within the United States

Our internal stability within the United States, for years to come, will be vital not only to ourselves and as one element in world-wide stability, but also as an outstanding example of the practice of the principles we preach.

As America turns from the governmentally financed war production during her first total war to the far freer privately financed peace-time production of useful goods, she will do so under the heaviest taxes in her history and under a national bonded debt ten times heavier than at any time before the war.

We must take these burdens in our stride. These bonds are held by every church, insurance com-

(Continued on page 1312)

A Plan for the Deduction of Post-war Reserves

Walter A. Cooper Regards Equity In Tax Important

Declaring that industry needs reserves to meet post-war requirements, Walter A. Cooper, New York certified public accountant, on Sept. 22 called for the development of a "broad, flexible formula with a proper safeguard in the form of a recapture clause." In an address before the meeting of the Controllers Institute in New York City, Mr. Cooper, a partner in Peat, Marwick, Mitchell & Co., presented a six-point plan designed to accomplish this end.

Walter A. Cooper

Mr. Cooper's remarks follow in part:

"We need post-war reserves in order to place industry in a financial position to swing immediately into a war against unemployment and to meet and overcome all the problems of relocation conversion and rehabilitation which will develop when war activities cease. The crying need now is for the development of a formula, with necessary safeguards and controls, that will accomplish substantial justice without permitting abuse of the privilege or improper loss of revenue to the Treasury. My own experience has been that one narrow formula is always open to the objection that, under the circumstances of certain tax-payers, improper tax avoidance will be possible and, in other cases, that inadequate relief will be afforded. We must have a very broad, flexible formula, with a proper safeguard in the form of a recapture clause.

"The six basic features of a plan which would meet this requirement are as follows:

(Continued on page 1307)

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New Orleans Dealers Cited For Work In Third War Loan Drive

NEW ORLEANS, LA.—Officials of the Third War Loan drive in New Orleans cited the work of the investment dealers and brokers group, headed by William Perry Brown of Newman, Brown & Co., which with a goal of $2,000,000, has sold $8,241,968 in bonds. Mr. Brown, in explaining the work done by his unit, declared "The reports that have been turned in show hundreds of sales of war bonds, the larger majority in small bonds. Contrary to what might be expected, these sales have been made mostly to small investors."

Other members of the dealers' committee, whose activities accounted for more than 16% of the total sales made during the campaign, are Ernest C. Villere, St. Denis J. Villere & Co.; Irving K. Weil, Weil & Co.: Walter D. Kingston, Lamar, Kingston & Labouisse; and Albert J. Wolf, Merrill Lynch, Pierce, Fenner & Beane.

Boston Stock Exchange Elects New Officers

BOSTON, MASS. — At the annual meeting of the Boston Stock Exchange, Stearns Poor was elected President. He had been Acting President since June 3, succeeding Archibald R. Giroux, who resigned to enter military service.

Horace O. Bright, Elmer H. Bright & Co., was elected Vice-President and Mark R. Hodges, Schirmer, Atherton & Co., Treasurer. Elected to the governing committee with terms expiring in 1945 were: Louis Curtis, Brown Brothers Harriman & Co.; Constantine Hutchins, Hutchins & Parkinson; William R. Long; Daniel Pingree; Ray E. Southgate; and Lester Watson, Hayden, Stone & Co.

J. H. Hunt Now With A. M. Kidder & Co.

(Special to The Financial Chronicle)

DETROIT, MICH. — James H. Hunt has become associated with A. M. Kidder & Co., Penobscot Building. Mr. Hunt was formerly manager of the trading department of L. T. Hood & Co. and prior thereto served in a similar capacity with S. R. Livingstone & Co. In the past he was with Palmer, Everham & Co. and Alison & Co.

Seaboard Air Line Ry. Situation Interesting

L. H. Rothchild & Co., 120 Broadway, New York City, have prepared a brief study on the proposal to retire the receivers' certificates and other outstanding bonds of the Seaboard Air Line Railway, analyzing the result of such action on various outstanding issues. Copies of this interesting analysis may be had from the firm upon request.

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Robert H. Huff, George Geyer and John C. Hecht announce the formation of the co-partnership of Huff, Geyer & Hecht, to specialize in wholesale distribution of insurance and bank stocks.

The firm's main office is located at 67 Wall Street, New York City. Branches are maintained in Boston and Chicago.

Walter Collins Now With Tobey & Kirk

Walter T. Collins, until 1939 a partner of Hemphill, Noyes & Co., has become associated with Tobey & Kirk, 52 Wall Street, New York City, members of the New York Stock Exchange. Mr. Collins' original connection with the investment business was with Lee Higginson in Chicago.

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OUR REPORTER'S REPORT

With the Third War Loan Drive scheduled to close at midnight Saturday investment banking interests, who have virtually suspended their regular order of business since the ninth of the month, are beginning to look forward to a return to normal pursuits for a spell.

Naturally the main interest, at the moment, centers around prospective resumption of new corporate financing and refundings. And just now discussion lends itself chiefly to the business of seeking to figure which of the several issues, recently placed in registration with the Securities and Exchange Commission, will be the first to reach market.

Consensus appears to be that the honors probably will go to P. Lorillard & Company in that respect, although it recognized that Atlanta Gas Light Company's proposed $7,500,000 of first mortgage bonds, having been registered more than a month ago, must be considered as a possibility.

The P. Lorrillard financing, a negotiated deal, since it is an industrial and does not come under Rule U-50 providing for competitive bidding, as utility company issues do, is favored to start the ball rolling.

This financing involves $20.-000,000 of twenty-year debentures, and 374,391 shares of additional common stock and will provide the company with funds

(Continued on page 1299)

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House Group Against Ending Renegotiation

The House Naval Affairs Committee voted 17 to 5 on Sept. 28 against recommending repeal of the statute providing for renegotiation of war contracts.

The motion, offered by Representative Cole (Rep., N. Y.), pertained to the recovery of "excessive" war profits on contracts made after Jan. 1, 1944. The Naval Committee now has under consideration various proposals for renegotiation law changes, including the question of authorizing the renegotiation after—instead of before—taxes.

The House Ways and Means Committee voted on September 27 against recommending termination of the law. A subcommittee has been directed to make a report to the full committee as to possible revisions in the measure. The hearings before this committee were referred to in our issue of Sept. 23, page 1193.

Warns OPA To Alter Practices Or People Will 'Revolt' at '44 Elec.

The Office of Price Administration was warned by Senator Thomas (Dem., Okla.) on Sept. 25 that there would be a "revolt" against the Democrats in 1944 unless OPA officials abandoned practices "contrary to the American way of life."

In a letter to Chester Bowles, OPA General Manager, Senator Thomas wrote, according to the Associated Press, in the New York World Telegram":

"I cannot believe that your administration desires to make the OPA so unpopular, oppressive and ridiculous as to cause the people of the country to revolt almost solidly at the election to be held in 1944."

"I have just spent two months in Oklahoma, and the wave of resentment there is almost universal against the practices which are considered entirely unnecessary and contrary to the American way of life."

"No doubt you know that in some of the states the citizens have already practically repealed the Price Control Law, and act exactly as if no such law existed."

McGinnis To Address Customer Brokers

Patrick McGinnis, of Pflugfelder. Bampton & Rust, will address the Association of Customers' Brokers on Wednesday, Oct. 6, on the subject: "What About Railroad Securities Now?" The meeting will be held in the Board of Governors' Room of the New York Stock Exchange, 6th Floor, 11 Wall St., New York, at 3:45 p.m.

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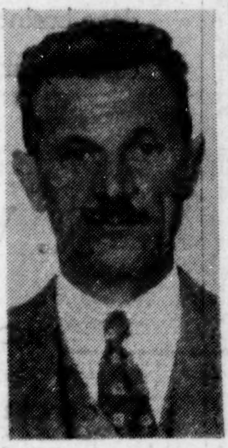
Over-Priced Growth Stocks

By M. D. POPOVIC

Analyst Contends Aircraft Manufacturing Stocks Are Reasonably Priced While Airline Equities Are Selling at Twice Their Worth—Believes Electronic Securities Over-priced Too—Urges Caution in Buying Into Growth Industries

That portion of the address made last week by M. D. Popovic of the Blue Ridge Corp. before the New York Society of Security Analysts pertaining to over-priced growth situations is given below. Mr. Popovic made it clear that he spoke as an individual and not as an employee of the investment company. His remarks follow:

What Is Security Analysis Work?



M. D. Popovic

In order to gain perspective, even at the danger of being impertinent, I think it is well to lay down some basic principles on security analysis. We can divide this work under three main headings.

First: There is economics in general. It is necessary to have a clear idea what makes the world go round and what changes and developments are in progress.

The **second** point is familiarity with the status and personality, so to speak, of individual companies in terms of operations, management, assets, etc., etc., and how they fit into the larger pattern of economic structure.

Last, and by no means least, important is the factor of how does the market appraise these various investment elements.

Market Irrational

It is not necessary to emphasize that values and market are sometimes completely divergent. We all remember, for example, the prices of 1929 when every stock was a growth stock and the entire market was discounting the growth of the country and profits for 25 years ahead. Anyone who kept his head and looked at the thing rationally could have seen the unreasonableness of it, but you cannot control supply and demand by reasoning when the de-

(Continued on page 1307)

Wanted: Adequate Basis For a Just and Lasting Peace

Norman Thomas, Chairman of the Executive Committee of the Post-War World Council, and a four time Socialist candidate for President, in an address earlier this month at a two-day forum on "Our Future World" held at the Christ Church in New York City, asked for an adequate basis for a just and lasting peace. The address of Dr. Thomas follows in full:

◆

Norman Thomas

My time is limited and I shall say things which oppose the kind of talk most common on the radio and lecture platform. I shall therefore be forced to seem more blunt and dogmatic than would be the case if I had more time. I assume that we are all united by our desire for a just and lasting peace. I hope we are united in believing that such a peace is possible even though difficult to win. There are, however, wide divisions of opinion among us which ought to be frankly faced.

I think, however, that there will be fairly general, although reluctant agreement that officially the United States of America has no adequate basis for a just and lasting peace. America finally went into the war all the way because of the Japanese attack at Pearl Harbor and the German declaration of war against us. We did not go to war for the four freedoms. Apparently we are fighting now for "victory" but, since the war was far more remote from us than from our Allies, victory of itself

(Continued on page 1309)

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Holders of bonds of the above are urged to send their names and addresses, together with amounts and issues held to the undersigned. This information is desired for compilation of list of bondholders requested by I.C.C. in connection with the proposed reorganization plan.

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Denver & Rio Grande Western Interesting

Pfugfelder, Bampton & Rust, 61 Broadway, New York, members of the New York Stock Exchange, have prepared a most interesting circular on the Denver, & Rio Grande, Western Railroad, which is creating new securities. Copies of this circular discussing the situation in detail, may be had from the firm upon written request.

Tomorrow's Markets Walter Whyte Says—

Market reaction about over. Expect dullness or resumption of advance within another point or so.

By WALTER WHYTE

If you look into the news for a reason to explain the current dragging reaction, you will search and search without finding any plausible excuse. Yes, you will discover that Congress is scheduled to discuss the new tax program. You may even come upon other bits of information you can add to your collection of trivia; certain "dope" stories analyzing the problems of contract renegotiations, may come your way. But the sum total of your knowledge will be of little help in discovering just why a market which acts so well one day suddenly goes down and acts miserably the next. No, the answer to the market will not be found in the news but in the market itself.

* * *

Last week, for example, you saw the familiar averages nibbling away at the 142 figure after they had moved up from 138. It was possible then to envisage a break through on the upside with certain stocks going on up to new and higher prices.

* * *

But if certain stocks did indicate such a possibility, the action of the market, as reflected in the averages, did not concur. These averages at best showed a drying up of buying power at last week's highs or a gradual retreat of approximately 2 points or so. Of the two, last

(Continued on page 1319)

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SEC To Begin Hearings Today On NASD Right To Discipline Members

Case Arose On Alleged Violations On Public Service Co. Of Indiana Bond Sale

The Securities and Exchange Commission will begin today, Thursday, oral arguments, in a four-year old case involving the right of the National Association of Security Dealers, Inc., to punish its members for violation of underwriting agreements under its rules of fair practice and whether underwriting agreements are valid and enforceable by disciplinary action of the Association.

The case arose from the public offering of $38,000,000 Public Service Co. of Indiana first mortgage bonds in 1939 by a syndicate headed by Halsey, Stuart & Co., Inc. and comprising 67 underwriters and 396 selling group members. The syndicate agreements set the selling price of the bonds at 102 with certain exceptions, but almost from the first day of the offering, sales at prices below those permitted by the agreements began to occur. The NASD investigated, found violations and levied fines against 70 of its members. The SEC then ordered a review of the disciplinary action and six typical cases were selected for the purpose.

The Association will contend that each of the six John Doe cases violated Rule 1 of its rules of fair practice in selling the securities involved at prices below the selling agreement to which they originally subscribed.

The NASD also will contend that the sole question presented is whether the acts and practices under review are "inconsistent with the high standards of commercial honor and just and equitable principles of trade," and that no jurisdiction to apply or enforce the Sherman Anti-Trust Act has been granted the SEC.

Counsel for the SEC will argue, according to briefs already submitted, that the conduct of none of the members was inconsistent with the standards of commercial honor nor prohibited by the NASD rules, that such underwriting agreements are in unlawful restraint of trade in securities and therefore a violation of the Miller-Tydings amendment of the Sherman Anti-Trust Act.

The validity of underwriting agreements is said never to have been tested and it is understood that both sides would like an appeal carried to the Supreme Court to determine whether such agreements were in restraint of trade as defined by the Sherman Act.

Western Pacific Railroad Situation Attractive

Du Bosque & Company, 72 Wall Street, New York City have prepared an interesting analysis of Western Pacific Railroad with special reference to new income mortgage bonds. Copies of this interesting circular discussing the situation in detail may be had from Du Bosque & Company upon request.

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The Transition From War To Peace

Recent military victories in the Mediterranean theatre and in Russia indicate perhaps more decisively than previous ones that the tide of battle has turned strongly in favor of the United Nations. These developments are bringing forcefully into the minds of investors the economic problems of transition from war to peace.

What will be the effect of the transition period on national income, on business volume, on business profits, and finally on prices of common stocks? Will the market look beyond it to the post-war era when business volumes and pofits will probably be at high levels, or is it likely that the change-over may prove sufficiently difficult so that the post-war outlook as now seen will come to appear much less hopeful in the light of the problems that will arise during the transition period? Possibly aggravating and increasing the apprehensions and uncertainties that will come with unemployment, the demobilization of the armed forces, and the contraction of production and national income, may be uncertainties regarding the peace settlement, international trade relations, tariff policies, and domestic and foreign politics.

Although conditions after this war will differ in many important respects from those which prevailed after World War I, an analysis of business and market developments following the Armistice on November 11, 1918, is worth-while in any effort to gain some prespective on the character and dimensions of the problems with which business and investors will be faced. Detailed studies made by the research group show that the transition from war to peace after the Armistice in 1918 occurred with very slight disturbance to production, commodity prices, or stock prices. In the first World War, however, only 25% of the total output of goods and services was devoted to military purposes, compared with 50% of the gross national product that is now directed to the war. Some important industries such as the automobile industry were never converted to war work last time as they have been in the present war; hence the physical conversion problem was not as great then as now. The business boom that developed after the last war was partly the result of continued government deficit spending after the Armistice; but to a greater extent it was the result of business spending for inventory and for machinery and of the high level of consumer demand for goods.

Will the transition to peace come about this time with as little initial disturbance as in World War I? Some comparisons and contasts will help to highlight the situation that we are going to face when peace arrives.

In the last war there were 4,000,000 soldiers in the armed forces to be demobilized, compared with about 11,000,000 expected to be in the Army and Navy at the end of this war. It is also estimated that 12,-15,000,000 employees now in war work will have to find jobs in peace-time work. In this war new industries in new locations have been created for the building of tanks, airplanes, and other types of armaments. The relocation of population in established peace-time industrial regions may increase the difficulties of readjustment. The unemployment problem is likely to be substantially more severe after this war than after the last one, at least for a period of several months.

Outstanding contracts will of course be much larger at the end of this war than last time, and therefore the problems connected with this will be proportionately greater. It is apparent that can-

(Continued on page 1311)

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Railroad Securities

Considering the record of delays and uncertainties that have characterized arbitrage operations in such reorganizations as Missouri Pacific and St. Paul, and the belief in many quarters that when-issued contracts for the new securities of those roads will eventually be cancelled, it comes as somewhat of a surprise to find when-issued trading already instituted in the new Denver & Rio Grande Western securities. This trading started immediately on approval of the ICC plan by the District Court on Sept. 15.

The new first mortgage bonds, which will bear only 3% fixed interest and an additional 1% contingent, started trading a few points above 80 but have since settled back to a current market around 77 bid—78½ asked. The junior securities were more realistically priced in initial trading and have since moved forward a few points. The income bonds are currently quoted 42½ bid—43½asked, the preferred 33 bid—33¾ asked and the common 19 bid—19¾ asked. The effective date of the plan is Jan. 1, 1943, so that income accrues on the new securities from that date. In the case of the first mortgage bonds, however, only the 1% contingent portion accrues to the when-issued buyer.

Present indications are that objections to the plan will be no more than perfunctory, in which event reasonably early consummation of the plan may be expected. Certainly Judge Symes has given every indication of his own desires to expedite the proceedings. Nevertheless, unexpected delays have had a habit of popping up in Section 77 actions and delivery of the new securities within the next year would appear as too optimistic an expectation. With this background, most rail men have been advocating against the purchase of the when-issued contracts, recommending instead the purchase of the old securities. These old bonds, with the exception of the general 5s, 1955, sell well below the value of the securities they are to receive, and if the plan is to be consummated speedily this arbitrage spread will have to close up, with a consequent more rapid enhancement in the old than in the new securities.

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The following tabulation outlines the proposed allocation of new securities to the old bonds.

	3-4% Firsts	4½% Incomes	5% Preferred	Common	*Value of New Securities	Market Price old Securities
RGW 4s, 1939	$970.20	$349.60			89½	80
†RGW 4s, 1949		266.00	$970.90	.931 Sh.	†43½	48½
DRG 4s, 1936	318.92	217.08	321.60	4.824	53½	44
DRG 4½s, 1936	329.03	223.97	331.80	4.977	55¼	45
D & RGW 5s, 1978	250.01	159.61	310.75	6,921	50½	40
D & RGW 5s, 1955				1.461	2¾	5½

*Based on bid when-issued quotations.
†Also distributive share of the Utah Fuel stock.

With the exception of the Rio Grande Western collateral 4s, 1949, a portion of whose value is represented by the Utah Fuel stock, and the general 5s, 1955, the system bonds range approximately 10 points below the present bid value of the securities they are to receive. If the new securities do no more than stay stable at recent levels there would be this much appreciation left in the old bonds between now and consummation of the plan, plus the income accruing on the new securities in the interim. If the new securities move forward from recent prices, as is believed likely, the old securities must necessarily participate in the rise.

Optimism towards the outlook for the reorganized Denver & Rio Grande Western is based on the marked change in recent years in the nature of the territory served, and the equally marked change for the better in operating conditions resulting from the improvement in physical plant. Virtually the entire main line has been rebuilt during trusteeship. With a similar physical improvement in the connecting Western Pacific, this route will finally be in a position to compete permanently for the profitable transcontinental traffic. It is notable that during the reorganization proceedings the Commission commented that the full benefits of the Dotsero Cutoff had never up to that time been realized.

The road directly serves the important Provo, Utah steel center which is considered by competent

(Continued on page 1321)

Rock Island
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with special reference to
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We believe that the recent hearing, at which it was requested of the Court to retire the Receivers' Certificates and other outstanding bonds, of the
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makes more pertinent than ever our brief study on the subject in which we attempt to analyze the result of such action on various outstanding issues.
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Ohio Municipal Comment

By J. A. WHITE

During this lull in municipal activity, while the Third War Loan is being made successful, some attention might well be paid to the enviable record made by Ohio communities in the reduction of their debt burden. The following information is taken from reports of the Ohio Municipal Advisory Council. A few words here about this Council, generally known as the O. M. A. C., would be appropriate.

It is an organization composed of, and supported entirely by the more active dealers, and a few of the larger investors, in Ohio muicipal bonds. During and since the depression of the early thirties, it has given sound and valuable advice to many municipalities. In addition, for more than ten years, the Council has made available to its members the most complete and the most reliable financial information available about all Ohio political subdivisions. Reports are made continuously, both for individual subdivisions and in summary form for all subdivisions. These reports are the only source of information about the overlapping debt of Ohio communities. The Council maintains permanent offices in the Cuyahoga Building, Cleveland.

HISTORY OF REDUCTION IN ACTUAL BONDED DEBT AND IN DEBT BURDEN FOR ALL OHIO SUBDIVISIONS AS A GROUP

(In Thousands of Dollars)

Date—	*Total Debt	*Net Debt	% of Net to Assd. V.	Assessed Valuation
Jan. 1, 1933	$898,600	$735,443	7.4%	$9,985,252
Jan. 1, 1934	864,205	702,553	8.0	8,782,658
Jan. 1, 1935	835,233	667,123	7.7	8,683,853
Jan. 1, 1936	799,823	650,408	7.5	8,702,584
Jan. 1, 1937	765,388	617,529	7.1	8,710,268
Jan. 1, 1938	714,292	580,930	6.4	9,089,802
Jan. 1, 1939	716,307	581,864	6.3	9,162,336
Jan. 1, 1940	704,059	559,869	6.1	9,174,832
Jan. 1, 1941	679,573	540,124	5.8	9,276,151
Jan. 1, 1942	643,842	511,398	5.4	9,526,386
Jan. 1, 1943	614,343	471,130	4.7	10,020,343
Actual Reduction	$284,257	$264,313		
Per Cent Reduction	32%	36%		

*Figures for Total Debt and Net Debt do not include debts of Conservancy and Sanitary Districts, State Bridge Commission or State Universities, except that Net Debt figures since 1935 include an allowance for most of the debt of the Miami Conservancy District and the Mahoning Valley Sanitary District.

The peak total debt in the state was on Jan. 1, 1931, $976,901,771, reduced to $941,744,841 on Jan. 1, 1932. Thus, this total debt of the state has been reduced $362,559,000, or 37%, since the peak on Jan. 1, 1931.

As of Jan. 1, 1943, the net direct debt of all counties combined was only 0.7 of 1% of the assessed valuation of all the counties combined. As of Jan. 1, 1933, this ratio was 1.4%, showing that the net direct debt burden of the counties as a whole has been cut in half since Jan. 1, 1933.

As of Jan. 1, 1943, the net direct debt of all the cities in the state (5,000 or more population) was 3.9% of the assessed valuation of all such cities. As of Jan. 1, 1933, this ratio was 4.9% and as of Jan. 1, 1934, 5.5%.

1933-43 In Retrospect

This enviable reduction in debt has been accomplished during depression and prosperity, and despite a severe reduction in the tax limitation. Effective Jan. 1, 1931, the voters of Ohio wrote into the state constitution a tax limit of 15 mills, unless levies be voed outside such limitation by the people of the community. Effective Jan. 1, 1934, this limitation was reduced to 10 mills.

Furthermore, as the above table shows, the assessed valuation of taxable property in the state took a tumble in 1933 from which, despite gradual increases each year, it did not recover fully until 1943. Finally, one need not be reminded that the depression of the early thirties reduced the collection of taxes in many areas well below 100% of the levy.

Thus, in 1934, the subdivisions of Ohio were faced, all at the same time, with a severe reduction in tax levies, a severe reduction in assessed valuations and a severe reduction in tax collections. At the same time heavy relief costs were added to the cost of operating many communities.

Relief from this critical situation came from several sources. In 1934 the sales tax was levied to replace revenues lost by the reduction in the real estate tax limitation from 15 to 10 mills. In 1938 the Supreme Court rendered the now famous Hudson Case decision, holding that debts incurred prior to the Jan. 1, 1931, and Jan. 1, 1934, tax limitations were not subject to such limitations and could be paid from taxes levied outside the limits. The people of many, and perhaps most commuities have voted tax levies outside such limitations for both operating expenses and debt service. (Some comunities, for example Hamilton County, voted permission to levy outside the limitation the taxes necessary to pay all the debt outstanding at the time.) Of course, the passing of the bank holiday and the debacle of the thirties, has brought increasing property values and increasing tax collections.

But even during the trying years of 1933-35, the subdivisions of Ohio as a whole reduced their total debt by $100,000,000. In fact, the annual reduction in debt during the depression years was maintained at approximately the same rate as in subsequent, more prosperous years. Be it ever remembered, moreover, that the laws of Ohio, and the court decisions of Ohio, hold uniformly that the payment of debt requirements takes precedence over payment of operating expenses.

Prospects for New Municipal Issues After the War

During the 11-year period covered by the above figures, the only year in which there was an increase in the total debt in the state was in 1938. During that year subdivisions throughout Ohio were issuing many bonds in conjunction with grants and loans from the Federal Government. Some talk has been heard lately of the prospects for the issuance of a considerable amount of municipal bonds after this war, possibly in conjunction with Federal aid in another vast public works program. On can hardly deny that grants for such purposes were made on a vast scale in 1938, but it is interesting to note from the above figures that during that year the total amount of bonds outstanding in Ohio increased only $2,115,000, or 0.3% of 1%. Moreover, to a certain extent this program of public works carried over into 1939, but during that year the bonds outstanding in Ohio were actually reduced by more than $12,000,000. One is forced to wonder huw much increase in total municipals will actually be made available during another public works program.

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Ohio State Surplus Of $35,815,000 Expected

Assuming revenues hold steadily during the balance of the 1943-44 biennium, the State of Ohio will have a net surplus of approximately $35,815,000 in its general fund at the close of Governor John Brickner's third administration, it was indicated in figures released last week by William S. Evatt, State Tax Commissioner.

In the first eight months of 1943, or one-third of the biennium, general fund revenues as listed in an official compilation totaled $83,945,249, exceeding by $15,271,915 the State's budgetary estimate of $68,673,334 for the same period.

"On this basis—assuming revenues will remain at present 1943 levels—Ohio would accumulate about $45,815,000 above budgetary requirements by Dec. 31, 1944," Mr. Evatt said.

"Out of this, however, must come a contingent appropriation of $6,000,000 for post-war highway construction. Thus the prospective surplus would be reduced to about $39,815,000, from which $4,000,000 will have accrued for the school foundation program and should be deducted. The net surplus therefore could be around $35,000,000."

Ohio Municipal Price Index

Date—	Composite Index for 20 bonds	Ten High Grade Bonds	Ten Lower Grade Bonds
Sept. 29, 1943	1.41%	1.22%	1.60%
Sept. 22	1.41	1.22	1.60
Sept. 15	1.43	1.24	1.62
Sept. 8	1.42	1.24	1.61
Sept. 1	1.42	1.23	1.61
Aug. 25	1.44	1.25	1.63
Aug. 18	1.44	1.25	1.63
Aug. 11	1.45	1.26	1.64
Aug. 4	1.45	1.26	1.64
July 28	1.45	1.27	1.64
July 21	1.48	1.29	1.67
July 15	1.50	1.32	1.68
Mar. 16	1.76	1.55	1.97

Foregoing tabulation was compiled by J. A. White.

STANY Committee To Receive Nominations

The Nominating Committee of the Security Traders Association of New York, Inc., will hold open meetings at the Produce Exchange Luncheon Club on Tuesday and Wednesday, Oct 5 and 6, 1943, from 5 P. M. to 7 P. M. At these meetings the Committee will be glad to receive for their consideration, recommendations and suggestions from the membership, in respect to the following offices to be filled at the annual election in December:

President, First Vice-President, Second Vice-President, Secretary, Treasurer, three members of the Board of Directors, two trustees of the Gratuity Fund, three delegates to the National Convention, and five alternates.

These will be the only such open meetings held, and the committee invites and urges members to appear before it at one of these meetings and make his wishes and the reasons therefore known.

Members of the Nominating Committee are William K. Porter, Hemphill, Noyes & Co., Chairman; Philip H. Ackert, Freeman & Co.; Frank H. Blair, Allen & Co.; William T. Mellin, Bond & Goodwin, Inc.; Eugene Stark, Merrill Lynch, Pierce, Fenner & Beane.

Extension Of Time On Colombian Bond Offer

Holders of Republic of Colombia 6% external sinking fund gold bonds dated July 1, 1927, and due Jan. 1, 1961, and 6% external sinking fund gold bonds of 1928 dated April 1, 1928, and due Oct. 1, 1961, are being notified of the extension of time within which to exchange the bonds and the appurtenant coupons designated in the offer, dated June 5, 1941, for Republic of Colombia, 3% external sinking fund dollar bonds due Oct. 1, 1970, is extended from Oct. 1, 1943, to April 1, 1944.

The exchanges are being effected through the National City Bank of New York, as agent.

G. Parr Ayers With Field, Richards Co.

(Special to The Financial Chronicle)

COLUMBUS, OHIO — George Parr Ayers has become associated with Field, Richards & Co., whose main office is located in the Union Commerce Building, Cleveland. Mr. Ayres for the past ten years has conducted his own investment business in Columbus. Prior thereto he was with Huntington Securities Company.

Railroad Securities Look Good For Peace Time

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, have prepared for distribution an attractive reprint of the address of Arthur C. Knies on "Railroad Securities in Peace Time—a Basic Change in the Making," given before the Los Angeles security brokers and dealers at the Los Angeles Stock Exchange.

Mr. Knies believes that the peace-time future of rail securities has been more than underrated and the outlook for them is most attractive. Copies of the reprint of his address discussing the situation in detail may be had upon request from Vilas & Hickey.

Mayfair House Bonds Situation Interesting

Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York City, have prepared a new descriptive report on the bonds securing the Mayfair House, 60 East 65th St., New York. Copies are available from the firm upon request.

"Let The Dealer Beware!" Interprets Recent SEC Decisions Revoking Dealer Registrations

In "Let the Dealer Beware!" Murray Robert Spies of the New York Bar discusses the question of the rights and obligations of the dealer when acting as principal and interprets recent important decisions of the Securities and Exchange Commission revoking the registrations of certain over-the-counter dealers because of their failure to disclose to customers what the Commission felt were "excessive mark-ups."

The book does not go into the question of the rights and duties when the dealer is acting as broker or agent for his client, for they are, the author believes, too well known and too well established and defined under existing applicable legislation. The value of the dealer's Federal franchise is discussed, a value which the author feels will increase constantly during the years of reconstruction which will follow the war.

One of the main thoughts expressed is that the over-the-counter dealers must cooperate among themselves and with the Commission to eliminate from the security business the "under-the-counter dealers." This does not mean that any dealer shall do any malicious act or say anything disparaging about his fellow-dealer. It does mean, however, that he shall take advantage of every opportunity to enhance the prestige of the business from which he has decided to earn his livelihood and build and maintain his good reputation.

The dealer must realize that in his business under existing laws "There is nothing covered that shall not be revealed" and that his actions, records — his entire business life—are as open as the sky. This, however, does not mean that a dealer is to sit back and hold his tongue when he wants to speak — when he has what he believes to be a just criticism of any existing provision of law or regulation thereunder—or even of the manner of their administration. To the contrary, the author declares, the dealer who has this courage of honest conviction is the one who will help to perpetuate the security business for all reputable dealers.

Cooperation between the dealers and the SEC, between one dealer and another, the nurturing of honest concepts, fair and practical treatment of customers, reasonable profits and compensation for intelligent service are the things which will make for a steady enhancement of the dealer's franchise and the gradual lessening of government supervision to the extent now so necessary in too many cases.

"Let the Dealer Beware!" is not a book of reformation, but is intended as a guide for the dealer into safer and, from a longer term point of view, more profitable fields of business. Particular attention is paid to the importance of the Lee and Leeby cases and certain other dealer cases.

Copies of "Let the Dealer Beware!" which was prepared with the collaboration of C. P. Keane may be obtained from Keane's Publications, 32 Broadway, New York City, at a cost of two dollars per copy.

Post-War Rail Prospects

McLaughlin, Baird & Reuss, One Wall St., New York City, members of the New York Stock Exchange, have just issued an interesting circular entitled "Railroads—Some Thoughts on Post-War Prospects." Copies of this circular may be had from the firm upon request.

Attractive Situations

Gisholt Machine Co., Stromberg-Carlson, Dictaphone Corp., and Haloid Co. offer attractive situations, according to memoranda prepared by Herzog & Co., 170 Broadway, New York City. Copies of these interesting memoranda may be obtained upon request from Herzog & Co.

Our Reporter's Report

(Continued from page 1295)

necessary to liquidate short-term bank loans, redeem 7 per cent bonds due Oct. 1 next year and add to its working capital funds.

Large Utility Possibilities

Refinancing plans of several utility companies still bulk largest in the list of issues in registration with the Securities and Exchange Commission. Four such projects are listed for a total of $133,000,000 in mortgage bonds and debentures, plus some 250,000 shares of preferred stocks.

Largest is the prospective Florida Power & Light Company financing which embraces $45,000,000 of bonds, $10,000,000 debentures and 140,000 shares of preferred stock. This project is subject to a delaying amendment.

Utah Power & Light Company is next with $37,000,000 first mortgage bonds, due for competitive bidding and $7,000,000 general mortgage bonds to be sold without competition.

Central Power & Light Company is listed for $25,000,000 of refunding bonds and 70,000 shares of convertible preferred stock, while California Electric Power follows with $16,000,000 of twenty-five year 3¾s and 40,000 shares of preferred stock.

Rochester Telephone Co.

A large stock operation, growing out of the sale by the New York Telephone Company of its holdings of 48,140 shares of second preferred and 120,000 shares of common of Rochester Telephone Company to a group of Rochester business men, is on the fire.

One of the Street's leading underwriters is reported scheduled to handle public offering of some 380,000 shares of new common stock of the company.

Details have not yet been made public, but it is assumed that the program for this shift of the company's ownership to the public will be announced shortly.

Recent Issues Behave Well

A sampling of prevailing markets for some of the more recent new corporate issues indicates that the respite growing out of the Treasury's war loan drive has turned investor attention to such available material in a broad way.

Looking over the performance of four or five such issues it develops that, without exception, they are ruling at or above their offering prices.

Puget Sound Power & Light 4¼s, for example, brought out at 104¼, are currently commanding a range of 107 bid 107¼ offered. Public Service of Indiana 3¼s of 1975 brought out at 102⅜ are selling a point higher on the bid side, while Iowa Power 3¼s of 1973 are bid at the public offering price of 108½, with 109 fixed as the asking figure.

Another Big One

Illinois Iowa Power Co. is reported completing an extensive refunding program which may be ready for registration within a fortnight, calling for the sale of some $70,000,000 of new issues.

Funds from this operation, with $15,200,000 from the recent sale of properties, would be applied to retirement of approximately $87,000,000 of 5 and 6 per cent debts now outstanding. The new issues may be available for competitive bidding before Thanksgiving time.

Oil Situations Interesting

Wood, Walker & Co., 63 Wall St., New York City, members of the New York Stock Exchange, have prepared a pamphlet analyzing the common stocks of 12 leading oil companies, with particular reference to Continental Oil Company.

Moore With Claybaugh

(Special to The Financial Chronicle)

MIAMI BEACH, FLA.—Victor Moore has become associated with Blair F. Claybaugh & Co., 420 Lincoln Road. Mr. Moore was formerly an officer of United Securities Corporation.

STANY Presents Ambulances To Army & Navy

The financial district was treated to an impressive ceremony last Friday when the Security Traders Association of New York, Inc., presented four ambulances to the U. S. Navy and four to the U. S. Army on the steps of the Sub-Treasury Building. The funds that made the presentation possible were raised in the financial district by a committee headed by Walter F. Saunders of Dominion Securities Corporation, with a total of 305 individuals and firms taking part in the drive.

Photo shows, left to right, in foreground: B. Winthrop Pizzini, President of the Association, making presentation; Capt. E. R. Eaton, for the Navy; George E. Price, well known Wall Street and Broadway impresario; Capt. H. G. Lewis, for the Army; and Mr. Saunders.

Attractive New York City Hotel Bonds

Complete reports sent upon request

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Real Estate Securities

Bright Future For Apartment Hotel Securities—Changes Brought About By War and Economic Conditions Reacting to Benefit of This Type of Real Estate

First Mortgage Fee Bonds On Mayfair House Appear To Be Attractively Priced

Apartment hotel properties have for many years been extremely popular but their occupancy has been subject to considerable fluctuation as many of the leases have been for only fall, winter and spring months. Many suburbanites have closed their houses in the country during the late fall and winter months as living in the city during such periods proved more convenient and comfortable. As a consequence, many such properties, although maintaining a fair average occupancy in the full year period, ran at a very low occupancy during the summer, usually operating at a sizable loss in this slack period, even though on a yearly basis charges were earned.

The effect of the war, changing economic conditions, servant problems, the gas shortage, etc. has reacted to change the mode of living of both city and suburban dwellers. The answer to these problems seems to be solved by the apartment hotel which can offer the homelike surroundings without the inconveniences and problems which confront a family today in maintaining a house or larger city apartment.

A survey made of these properties shows that as of the new October 1st renting season, occupancy has shown a considerable increase and what is more promising is the fact that a larger proportion of leased space is now on an annual basis than ever before. This condition will naturally produce larger earnings for the properties.

We are using the Mayfair House, Park Avenue at 65th Street, New York City to illustrate this type of property, as in comparison to other comparable properties, it seems to be in a position to derive the most benefit from the changed conditions as its funded debt capitalization per room of only $6,300 is about $2,800 per room lower than one of four other properties used in the comparison and $700.00 under the next lowest property.

The average occupancy of the Mayfair House for the fiscal year ended June 30, 1943 was 80% but during this period yearly leases in effect amounted to only $172,000 compared to yearly leases as of October 1, 1943 amounting to $259,000. Rent roll from this source alone shows an annual increase of about $87,000 which is equal to over 3% on the $2,574,500 First Mortgage Fee bonds presently outstanding on the property. Maintenance costs will be reduced as many new tenants are using their own furniture. The month of July 1943, being a summer month, produced a rooms department profit of over $15,000, which in itself was considerably more than the same 1942 period. It follows, however, that the real increase in profits will cumulate from the October 1st renting season, at which time occupancy will be close to capacity.

We believe that existing conditions will prevail for this type of property for some time to come and as the trust mortgage provisions are particularly favorable to bondholders, the increased earnings should produce sufficient funds to pay in excess of 5% annual interest and to provide for reduction of the mortgage through sinking fund operation. The mortgage indenture provides for **fixed** interest at the rate of 3% per annum with **additional** interest payable Aug. 1 at the rate of 2% per annum to the extent that **net** income is available. In addition to the **fixed and additional** interest, totaling up to 5% per annum, the indenture makes provision for **participating** interest from available remaining net income, such surplus above 5% on the bonds to be used in the following manner:

25% of such surplus for participating interest
50% of such surplus for sinking fund purposes
25% of such surplus for corporate purposes

providing, however, that while any accumulated interest remains unpaid, the portion of the net income allocated to corporate purposes shall be deposited with the Trustee to be applied and distributed to bondholders to liquidate any unpaid accumulations. At the present time these accumulations unpaid for the 1938 through 1940 mortgage years amount in total to $21.55 per $1,000 bond.

The first mortgage fee bonds on the Mayfair House at current level under 40 seem considerably underpriced in relation to the facts.

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Pittsburgh Rys. Look Good

The current situation in Pittsburgh Railways System, particularly certain of the underlying bonds, offers attractive possibilities for appreciation according to a study prepared by T. J. Feibleman & Company, 41 Broad Street, New York City. Copies of this interesting study, which is available to dealers only, may be had upon request from T. J. Feibleman & Co.

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Bank and Insurance Stocks

This Week—Insurance Stocks

By E. A. VAN DEUSEN

Two weeks ago this column presented 1943 semi-annual figures for a list of fire insurance stocks, compared with 1942 mid-year figures. This week comparable figures are shown for a list of casualty insurance companies, whose stocks are more or less actively traded.

Alfred M. Best Company, in its September "Insurance News," shows combined figures for a group of 60 stock casualty companies as follows:

	6-30-42	6-30-43
	($000)	
Total admitted assets	772,876	877,162
Policyholders' surplus	276,621	350,065
Loss reserves	245,279	273,272
Unearned premiums	206,476	198,787
Net premiums written	234,048	223,469
Net premiums earned	210,923	215,861
Loss ratio	47.5%	45.9%
Expense ratio	41.8%	38.9%
Combined ratio	89.3%	84.8%
Stat. und. profit	9,998	27,628
Net inv. income	8,923	9,763
Federal taxes incurred	*	16,228
Dividends declared	5,960	6,983

*Not available. For 1942 year: $26,-658,000.

These 60 companies show a decline in net premiums written off less than 5%, in spite of an estimated cut of around 25% in automobile writings. Most other casualty lines have expanded, including workmen's compensation. The tabulation also shows that loss and expense ratios are both substantially lower than a year ago, also that statutory underwriting profits, before adjustment for change in premium reserve equity, as well as net investment income, are considerably higher. Offsetting this, however, is the fact that Federal taxes are at the highest level in the history of insurance.

Analytical Comparison

NEW YORK CITY
BANK STOCKS

Quarter ended September 30

Available upon request

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Bell Teletype—NY 1-1248-49
L. A. Gibbs, Manager Trading Department

Loss reserves, it should be noted, are some 11% above June, 1942.

Turning now to individual companies. Two tables are presented, as follows: Table I shows the premiums written, unearned premium reserves and surplus, for 14 companies, as of 6-30-43 compared with 6-30-42. Table II shows statutory underwriting profits and net investment income, before Federal taxes, also underwriting loss and expense ratios, for the same 14 companies, and the same comparable periods.

TABLE I

	Net Prems. Written (First Six Months) 1942	1943	Unearned Premium Reserves 6-30-42	6-30-43	Surplus 6-30-42	6-30-43
	($000)		($000)		($000)	
Am. Casualty	2,965	3,008	2,484	2,489	711	1,425
Am. Fid. & Cas.	2,082	2,113	216	220	1,371	1,699
Cont. Cas.	15,542	15,969	11,959	11,618	11,845	15,015
Excess Ins.	1,016	1,352	846	924	818	1,114
Fid. & Cas.	17,526	16,724	15,451	14,501	14,984	22,982
Fid. & Dep.	5,945	5,585	6,821	6,822	12,446	14,754
Hartford S. B.	3,037	4,083	10,279	11,984	6,613	8,264
Mass. Bonding	9,369	8,681	6,974	6,998	5,911	8,685
Nat. Cas.	2,556	2,329	1,131	1,140	1,542	1,837
New Amsterdam Cas.	8,721	8,996	7,536	7,530	8,775	11,148
Seaboard Surety	1,210	896	1,441	1,246	3,022	4,369
Stand. Acc.	11,574	11,001	9,621	8,931	7,719	9,396
U. S. Fid. & Guar.	23,400	22,604	20,178	20,241	19,331	23,465
U. S. Guarantee	3,482	2,631	4,303	3,478	8,743	10,728
Totals	$108,425	$105,972	$99,240	$98,113	$103,831	$134,881

TABLE II

	Stat. Und. Profit 1942	1943	Net Inv. Inc. 1942	1943	Loss Ratio 1942	1943	Expense Ratio 1942	1943
	(First Six Months)							
Am. Cas.	$0.10	$0.65	$0.39	$0.38	$53.6	$53.8	$36.0	$38.4
Am. Fid. & Cas.	0.40	0.65	0.23	0.24	67.8	68.4	28.6	26.3
Cont. Cas.	2.16	2.63	0.83	0.89	50.5	49.7	38.7	38.4
Excess Ins.	—0.66	—0.47	0.15	0.14	51.1	54.6	38.7	39.0
Fid. & Cas.	4.63	11.85	3.03	3.62	45.0	44.8	42.1	37.4
Fid. & Dep.	4.63	11.41	2.45	2.62	20.8	23.5	63.5	55.1
Hartford S. B.	—0.30	—1.11	0.97	1.20	31.9	27.1	74.9	61.6
Mass. Bonding	2.13	8.02	2.52	2.69	47.9	42.6	38.8	38.1
Nat. Cas.	1.11	1.93	0.65	0.67	54.6	48.2	42.0	43.9
New Amsterdam Cas.	0.04	0.21	0.82	0.90	51.4	52.3	41.5	41.4
Seaboard Surety	2.46	6.98	0.70	0.71	25.2	17.7	43.2	30.6
Stand. Acc.	2.16	7.15	1.10	1.29	47.9	49.3	38.8	37.2
U. S. Fid. & Guar.	1.36	1.63	0.82	0.83	45.3	48.0	41.8	40.7
U. S. Guarantee	2.99	6.02	1.10	1.28	29.0	29.4	54.6	36.5

Note—Figures in this table are before Federal taxes.

It will be observed in Table I that, whereas net premiums written by the group are down 2.3%, nevertheless six of the companies show a moderate increase. Unearned premium are 1.1% lower, but here again six companies show moderate gains. All 14 of the companies show considerable expansion in surplus, aggregating 29.9% for the group. This substantial gain results from higher market values for the companies' portfolios of stocks, plus undistributed earnings in 1942 which were credited to surplus.

In Table II statutory underwriting profits and net investment income are given for the two periods **before Federal taxes.** Underwriting profits show considerable improvement over the first six months of last year, except in the case of Hartford Steam Boiler. Net investment income, in most instances, also shows improvement. Underwriting ratios, both loss and expense, are better than last year in some instances and not so good in others. The record is quite mixed. It will be noted that such companies as Fidelity and Deposit, Hartford Steam Boiler, Seaboard Surety and U. S. Guarantee have exceptionally low loss ratios but relatively high expense ratios. The explanation for such diversity is to be found in the differing types of premium business written. For instance, Fidelity and Deposit writes mainly fidelity and surety business, while New Amsterdam Casualty writes largely auto and other liability, workmen's compensation and auto property damage, and very little fidelity and surety.

Figures used in the tabulations were compiled from Alfred M. Best Co.'s reports.

First Boston Issues Public Utility Survey

The 1943 edition of Public Utility Bonds and Public Utility Preferred Stocks prepared by The First Boston Corporation, 100 Broadway, New York City, has just been published providing a ready reference medium for institutional and other holders of utility securities.

The statistical material is based largely on published reports. However, reported figures not being comparable as between companies, certain adjustments have been made, whereby income is shown on an "earning power" basis with non-recurring influences eliminated. Balance sheet items are adjusted to reflect the latest reported accounting studies and commission rulings. For instance, the impact of increased Federal taxes upon earnings receives attention, especially with respect to the "Tax Cushion Ratio" as a supplement to the usual yardsticks for measuring dividend safety. Also for the first time Original Cost studies as to Property Values are now available in sufficient number and detail to permit of the inclusion of data on that much discussed subject.

As in previous editions the booklet is divided into three sections, covering, respectively, bonds of major utility companies, mortgage and debenture issues of telephone companies, and actively traded utility preferred stocks as well as many of the less active issues.

Firm To Be Known As Edw. D. Jones & Co.

ST. LOUIS, MO.—In the "Financial Chronicle" of Sept. 16 the proposed merger of Edward D. Jones & Co. and Whitaker & Co. was reported. At that time the name of the new organization was given as Jones, Whitaker & Co., but we have since been informed that it will be known as Edward D. Jones & Co. Offices will be located at 300 North Fourth St. The firm will have about 27 salesmen and a well-staffed trading department department, specializing in orders for banks and brokers. Also maintained will be one of the best financial libraries in the United States containing records that have been preserved since an early date. (Whitaker & Co. was established in 1871.)

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Public Utility Securities

Puget Sound Power & Light

The company's reorganization plans having become effective Sept. 13, Puget Sound Power & Light moved from its previous "when issued, over-counter" market to unlisted trading on the New York Curb (where it should not be confused with Puget Sound Pulp & Timber). It has been one of the most active issues on both Boards recently, with volume averaging over 10,000 shares a day—eclipsing the old-time Curb leader, Electric Bond and Share. Trading interest was stimulated recently by declaration of a 60-cent dividend, action being somewhat earlier than anticipated, since the new Board of Directors have not yet been elected.

The company was formerly a subsidiary of Engineers Public Service. It was, however, over-capitalized and had substantial dividend arrears on the $5 prior pref. stock and $6 (second) pfd. stock. The reorganization plan, as amended by the SEC, provided for a special payment of $2.50 a share on the prior preference stock (the regular dividend has been paid for the past two or three years) and a "stock dividend" of 25%, the combination equalling the $27.50 arrears which had accumulated prior to 1940. The $6 preferred received eight shares of new common stock for each share of preferred (including arrears). The common stock, formerly all owned by Engineers Public Service with exception of directors' qualifying shares, received one new share for each 20 old shares. Engineers' equity interest was reduced to 3.03% and the 65,000-odd shares which it now holds will probably be liquidated, according to press reports.

Puget Sound completed a bond refunding program last April, substantially reducing fixed charges, writing-down plant value, etc. The refunding, together with the recapitalization, gives the company a "clean bill of health." While some question may remain regarding the balance of a property write-off to adjust to original cost, such adjustment should not substantially affect the present satisfactory balance sheet set-up. A stockholders' committee has been formed, in accordance with the reorganization plan, to recommend nomination and election to the Board of a slate of nine business men from the State of Washington. The principal officials of the company are already local men.

Earnings have been on the upgrade this year, and for the 12 months ended July 31 the amount applicable to the new common stock (after adjustment to the new capitalization, and with allowance for increased income taxes against interest savings) is estimated at $2.03 per share. On the same basis, but without adjustment for taxes, share earnings in recent calendar years are estimated as follows:

1942	$1.61
1941	1.28
1940	.98
1939	1.24
1938	1.01
1937	1.13

About half the company's customers live in rural areas outside of incorporated cities and towns, and this portion of the business is probably not affected to any great extent by war-time industrial activity. In 1942 only 17½% of electric revenues was from industrial plants, and the gain in industrial revenues amounted to only about 2% of total revenues. While the war has therefore not been a big factor in the electric operations, Puget Sound has benefited by increased bus business (which last year contributed 17% of revenues, and increased about two-thirds over 1941). After the war, continued growth in this territory is anticipated, and recovery in the fishing and shipping industries (curtailed by war activities) may help sustain operations. The northwestern territory, with its fertile farm land and huge power reserves in Bonneville and Grand Coulee, has excellent possibilities for expansion in both agriculture and industry.

Is there any danger that the company will suffer from Government power competition? This seems unlikely since rates are already very low—residential reve-

(Continued on page 1319)

Attractive Speculation

Missouri Pacific general 4s of 1975 at current levels represent an equity in the speculative potentialities inherent in the new consolidated Missouri Pacific system, which constitutes an important link in the network of national transportation, according to an interesting memorandum prepared by Otto Hirschmann on the situation. Copies of this interesting memorandum may be obtained upon request from Mr. Hirschmann, care of Halle & Stieglitz, 25 Broad St., New York City.

Public Utility Preferreds

Bought — Sold — Quoted

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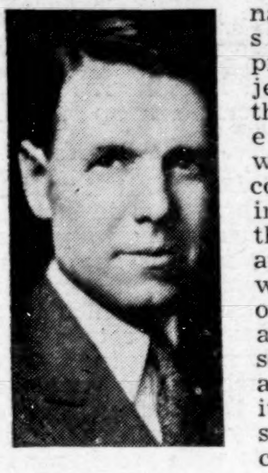
A.B.A. Economic Policy Commission Sees Need For Stabilization Machinery

Stabilization Plans Discussed—Asserts U. S. Cannot Promote International Monetary Stability Without Balancing Its Budget And Checking Inflationary Influences

The need for post-war economic planning now, "while the spirit is on us," is urged by the Economic Policy Commission of the American Bankers Association in a preliminary report issued on Sept. 13 on "The Place of the United States in the Post-War Economy." The Commission, of which the chairman is W. Randolph Burgess, Vice-Chairman of the Board of the National City Bank of New York, is the group within the Association which speaks for it on economic questions.



W. R. Burgess

The report, which is offered as "a preliminary, brief survey of practical objectives for the post-war economic world and this country's place in it," reviews the different approaches to world economic recovery and sets forth seven points around which it says "the strategy of recovery may well be directed." It asserts that the key to post-war economic revival is to be found in the elimination of obstacles to initiative and enterprise, and suggests that "the more realistic approach assumes that potential forces exist even today within each country for its reconstruction and that what is most needed is to release these powerful affirmative forces. In every country there are groups of able and energetic men and women ready to restore the normal ways of life and add to its richness," it says. "What they need is not philanthropy but opportunity. No people and no nation can be handed a better life. They have to work it out for themselves."

The report also analyzes the various proposals for the currency stabilization, including the Keynes and White plans, and expresses the opinion that some kind of apparatus should be worked out to help nations to stabilize their currencies. But it raises a question as to whether the establishment of a new institution or the adaptation of existing machinery would be more effective and observes that "there is much to be said for building upon machinery which already exists."

"Basically," the Commission concludes, "stable money is possible only with stable national economies. Towards this goal the United States must lead the way. The first requisite for any genuine progress towards stabilization is a stable dollar free of all exchange restrictions, a dollar in which the world has full confidence. Regardless of the standards adopted, or the organization set up, some strong currency must in fact be the main steadying influence. So far as can now be foreseen the foundation currency must be the dollar.

"The second step should be to establish definite rates between the dollar and the pound sterling—the two currencies in which the major part of world trade has been conducted for the past century. Once the values of the dollar and the pound are determined others will follow. Where financial aid is needed it should be granted only after due consideration of the merits in each individual case. Each country must of necessity work out its monetary salvation largely by its own efforts. In this process the presence of an institution as a mechanism to encourage consultation would be useful, but its function as a lender of money can only properly begin when a sound economic program has been put into effect.

"Furthermore, it should again be emphasized that the United States cannot successfully promote international monetary stability without making determined efforts to put its own affairs in order by balancing its budget and checking inflationary influences. Confidence in the dollar would be further enhanced by a clear cut policy making the dollar redeemable in gold, in foreign trade, with no deviation from the present value."

The Commission states that "real progress must be founded upon the regenerative efforts of individual initiative and enterprise. These efforts can be aided through government cooperation and at times by government participation, but the primary task is one of releasing the natural forces of recovery."

As the report comments on the several currency stabilization plans it may be noted here that the U. S. (White) proposal was referred to at length in these columns April 8, pages 1300-05; reference to the British (Keynes) plan appeared in our April 15 issue, page 1388, while the Canadian proposals were given at length in our issue of July 15, page 201.

The report of the Economic Policy Commission follows in full:

Place of the United States in the Post-War Economy

Spokesmen for all parties, all faiths, and all parts of this country are today saying in chorus that after this war we cannot back away from international responsibilities as we did after World War I. Both Houses of Congress have been considering resolutions giving expression to this thesis. The Administration states it in many forms. The principle is accepted.

But principles mean many things to many people. Differences—deep cleavages—arise when they are embodied in definite plans and programs. Even the principles will seem quite different and less compelling when the war is over, when we turn with relief to the pursuits of peace. We cannot safely assume that the principle of collaboration will survive this testing period. We may indeed repeat the mistakes of the '20s and '30s. The normal human emotional reaction leads that way, and politics makes capital of such reactions.

A first suggestion for avoiding this tragic blunder is that we should make plans now, while the spirit is on us, for putting into effect the principles for which we fight. It is easy to say that we do not know how or when the war will end, or what kind of world will be left. We do not of course know in detail but we do in substance. The problems in the main will be like those after World War I—problems of security, of trade, of money, changed in form but in essence the same old problems of nations getting along together. The fashions in thinking about them change more than the problems themselves. When the peace comes rushing on us we shall be better off with plans that have to be changed than with no plans.

A second suggestion is that groups of citizens accept these broader problems as their own, study them now, and be ready to throw their influence for a continuing sane foreign policy. Bankers especially have such responsibility. By the nature of their occupations they have some understanding of these subjects and unusual opportunity for leadership in their communities. It is the informed opinion of such groups in the support of wise government action which may make it possible to avoid in future some of the errors for which we are now paying in "blood, sweat and tears."

This report is a preliminary brief survey of practical objectives for the post-war economic world, and this country's place in it.

Releasing the Forces of Recovery

In the avalanche of literature on the subject of world economic recovery two general points of view reveal themselves.

The first may be called the idealistic approach. Those who consciously or unconsciously hold this viewpoint see the world shattered into a thousand pieces and believe it is our task to put it together again piece by piece, but on a greatly improved pattern. For example, it is suggested that we must see to it that other countries are placed under what we regard as democratic government, and that the standard of living of all peoples is raised and the differentials between theirs and ours reduced.

These are appealing objectives, but one may question their helpfulness as practical directives for our post-war efforts. Apart from the enormously complicated problems of human relations, even the vast resources of the United States, the British Empire, the Soviet Union, and China, which would presumably share this duty with us, are inadequate for these purposes. Recent reports from Puerto Rico indicate that in this our own insular possession, where we have had a reasonably free hand for nearly half a century, the standard of living is shockingly low, partly because the progress of civilization has cut the death rate while the high birth rate goes on as of old.

Perhaps, after all, we are not yet strong enough nor wise enough to reform the world immediately.

The other kind of approach to this problem, and one that seems to be more realistic, assumes that potential forces exist even today within each country for its reconstruction, and that what is most needed is to release these powerful affirmative forces. The farmer wants to till the soil, the artisan wants to fashion shoes or clothes or machines, the trader wants to trade. In every country there are groups of able and energetic men and women ready to restore the normal ways of life and add to its richness. What they need is not philanthropy but opportunity. No people and no nation can be handed a better life. They have to work it out for themselves.

From this point of view, the key to post-war economic revival is the elimination of obstacles to the initiative and enterprise through which alone the better life people everywhere desire can be achieved. Such a program is no denial of longer term ideals and objectives. It is, in fact, the most effective step towards them.

Any list of these obstacles is more or less arbitrary but it is proposed here to discuss seven

(Continued on page 1302)

Back the Attack!

BUY WAR BONDS!

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Canadian Securities

By BRUCE WILLIAMS

It is only a little over two years ago when holders and prospective purchasers here of Canadian external securities were considerably exercised with regard to the ability of Canada to raise the necessary exchange to service her U. S. dollar obligations. Today the position appears to be entirely reversed. Now it would seem the problem is to avoid the undue accumulation of U. S. dollar balances.

The recent call for payment of the Dominion 2¼s and 2½s of 1945 was a partial solution, and there is also the somewhat anomalous arrangement reached earlier this year whereby Canada can lend-lease goods to this country from the billion dollar Mutual Aid Fund to siphon off heavy surpluses. There might be some reasonable reluctance to use the latter expedient since Canada, unlike all other belligerent countries, does not accept lend-lease aid.

At the present time the export of Dominion internal securities is a potent factor in the building up of U. S. dollar balances, and it seems logical that this flow will continue while the Canadian dollar is maintained at its present level. From the point of view of the Dominion, balances thus created are undesirable, and however unwilling the Canadian authorities might be at this stage to consider reversing the wartime expedient of establishing their currency at a 10% discount, nevertheless, on due reflection, it might prove to be a beneficial solution for the following reasons:

(1) It would be a constructive and normal step in preparation for the post-war period, and with wartime restrictions still in force the adjustment process would be simplified.

(2) Restoration to parity would be a sign of strength and would be more likely to result in the retention and attraction of permanent capital of the right kind rather than an undesirable influx based on exchange speculation.

(3) Canada since the war has become a leading creditor nation, and if the normal process is followed, there should be a rise eventually in the Dominion standard of living; imports from this country should increase and with the Canadian dollar at par their cost would be lower.

(4) As the step would constitute a virtual export bonus to this country, it is reasonable to suppose that Canada would obtain a quid pro quo in the shape of an increase in the price ceilings of certain Canadian staple exports to this country.

(5) In conjunction with a further lowering of tariffs in the post-war period envisioned in the exchange of notes between the Secretary of State and the Canadian Minister in Washington on Nov. 30, 1942, this step would stimulate the flow of goods between the two countries.

When we turn to the market for the past week, from the angle of price movement there was very little to record. However, the better tone that manifested itself the previous week was still in evidence, and it seemed clearer that the downward trend of the past month had come to an end.

Direct Dominions and Nationals were inactive and virtually unchanged, as were Ontarios and Quebecs, although the latter were a little heavy. The supply of British Columbias, New Brunswicks and Manitobas, which had previously weighed on the market, was largely reduced. Shorter term Saskatchewans also were more easily placed and Nova Scotias continued in demand.

With regard to Nova Scotia, holders of its securities would do well to consider the advisability of switching into comparable New Brunswick issues. The latter province has recently handled its finances in an excellent fashion and if, for example, Nova Scotia 5s of 1959 are sold in exchange for New Brunswick 5s of 1959, it is possible to obtain a favorable differential of 40 basic points.

Internal issues continued in steady demand and between now and the end of October it should be possible to make attractive purchases as there should be a good supply of free exchange resulting from internal bonds called for payment on Oct. 15.

As expected, the market appears now to have lost its heaviness; bonds are no longer pressed for sale; after the close of the Canadian Victory Loan drive there should be a resumption of the upward trend, especially as it is not anticipated that the usual offerings in connection with the loan will be in any large volume.

Russia Said to Intern American Flyers Downed In Siberia

The crews and planes of American aircraft forced down on the Kamchatka Peninsula in Eastern Siberia were interned under terms of International Law, according to a broadcast from Moscow heard by Reuters, said an International News Service dispatch from London on Sept. 25, which added:

It was possible that the planes, if the report is true, had completed a raid against Japanese installations in the Kurile Islands, the northernmost of which virtually touch the lower end of the Kamchatka Peninsula.

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ABA Economic Policy Commission Sees Need For Stabilization Machinery

(Continued from page 1301)

essential points at which the strategy of recovery may well be directed.

1. Relief

Refugees from Europe report that the most discussed subject is not the war but food—where the next meal is coming from. When fighting ceases, the first need will be food; lack of it will be the greatest obstacle to progress on every front. The shortage need not last long, for even the next crop, not stolen by the Axis, will bring substantial relief. Some countries have funds abroad to buy food. But the first essential is that food be supplied in one way or another. For that purpose lend-lease by the United States, by England and the British dominions, perhaps shared in by Latin American countries, will need to be continued for some months after the end of the war. To do this, however, will require control of consumption and stimulation of production. The problem of food relief is not merely one of finance but of having the food to ship.

With the food itself will be needed seed and farm tools to replace those destroyed and some minimum of simple industrial machinery and raw materials. Beyond this minimum Europe can better produce many things with her own resources and thus start the wheels of trade moving. As to removal of this first obstacle to recovery little serious difference of opinion seems likely. In the official summary of the results of the United Nations Food Conference, it was generally agreed that in the period immediately after the war "the first call will be to reach freedom from hunger in areas devastated by the war," with emphasis at first upon cereals and other foods which maintain human energy and satisfy hunger. It was agreed that while shortages lasted there should be coordinated action by governments both to secure increased production and to prevent speculative and violent fluctuations in prices.

Already a United Nations relief organization is being created. Herbert H. Lehman, former Governor of the State of New York, who heads the American participation, stated the objectives as follows:

"The idea behind the Office of Foreign Relief and Rehabilitation is to help people to help themselves. When we have assisted the people of a freed country to get a crop into the ground we have taken the most important forward step.

"We will supply seeds and farm implements and in some cases raw materials to get factories running again. When that has been done many countries will be ready in a short time, we expect, to solve their own long-range problems."

2. Prompt Peace

Some months ago the suggestion was made for a long armistice or cooling-off period before peace terms were finally settled, to avoid the danger of embodying hate and passion in those terms. The logic of this suggestion is understandable, and people are rightly concerned lest settlements made under the emotional stress of war lead to the terrible tragedy of an unworkable and vengeful peace. A sound and just peace is an indispensable first step to a better post-war world.

Notwithstanding all this, public discussion has exposed the weaknesses of the cooling-off period. Until the principal peace terms are determined trade both external and internal will be stagnant in the countries most vitally concerned. No one can go forward courageously with enterprise until at least the basic outlines of the peace are settled.

The experience after World War I illustrated this difficulty. The United States ratified a treaty only in 1922, and then only half a one. The reparations question was only partly settled by the Dawes Plan in 1924 and not wholly settled by the Young Plan in 1929. Meantime in a depressed Europe were sown the seeds of despair and Hitlerism.

Today there is growing a conviction that the general terms of peace should be agreed upon by the United Nations and imposed immediately hostilities cease. The advance determination of reasonable peace essentials may have the added advantage of telling the Axis peoples what to expect and thus encouraging them to overthrow their present leaders.

In addition to the main peace essentials there will remain many questions which cannot be resolved immediately, such as ascertaining the true ownership of property, forms of restitution, etc. These can perhaps best be dealt with later by commissions. But the basic terms of peace, including boundaries, should be formulated and put into force promptly.

From the point of view of economic recovery the point is that the men and women trying to restore their countries' industry, agriculture, and trade would be retarded by uncertainties—if peace terms were unsettled. Their task will be hard enough and they must be aided by reducing the areas of doubt and uncertainty—and increasing the number of verities on which they can count, and on which they can base action.

Admittedly all of this is far from easy. Peace terms must be negotiated in the last analysis by the chiefs of state of the United Nations whose energies are absorbed in the direct war effort. But agreement on the kind of peace may help to win the war, as it affects the attitude and morale of all the belligerents. Political decisions made during the war are not merely preparatory but are part of both the war and the peace. Already the declarations of the Atlantic Charter and the North African conference have begun the definition of peace. This is the kind of preparation, carried into greater detail and more definite form and agreement, which is essential to winning a prompt peace.

3. Collective Security

For many years of its history Europe has lived in the shadow of war. In such shadow, enterprise does not flourish; the standard of living is held back. Nations spend for war and armaments what might go for the people's comfort and enlightenment. Enterprise must confine itself to short run transactions and cannot boldly plan and venture the long term project. The risk is too great.

The world has known long periods of peace. The Pax Romana was one, enforced by the legions of Rome. More recently the period from the fall of Napoleon to the World War has been termed the Pax Britannica. It is too sweeping a phrase, for there were serious wars. But even so a balance of power in Europe, the British fleet, and the persistence in neutrality by small countries, did give the term some justification. We know that this second period was one of great progress, in which the lot of the average man in Europe and America improved more than in many earlier centuries.

The idea of established and secure peace, not through the dominance of a single power, or a balance of power, but an association of powers has been nurtured by many minds. Tennyson wrote of the "Parliament of Man, the Federation of the World." John Fiske, the great American historian, of the "American Political Idea," the federation of states to secure peace.

When President Wilson launched his proposal for a League of Nations he did so with the support of a group of able and respected Americans. The charter was drawn before the war was won. It was accepted, perhaps somewhat reluctantly, by the other allied nations but just failed of ratification by the United States Senate together with the treaty of Versailles and the pledge of joint security with France and England.

Some great statesmen strove to make the League work: Briand, Stresemann, Smuts, Cecil, Benes and Litvinoff. The handicap of non-participation by the United States, the failure of others to support its decisions, together with some inherent defects in the League structure, were too great to overcome.

Today there is general agreement in this country that there must be, at the conclusion of the war, mechanisms and guarantees to prevent war. As yet this sentiment has not crystallized in specific forms. The principal move in this direction beyond the Atlantic Charter and the United Nations' Declaration of January, 1942, has been the Mutual Aid Agreements which have been concluded by the United States with the United Kingdom, China, Russia, Belgium, Poland, the Netherlands, Greece, Norway, Czechoslovakia and Jugoslavia. While these agreements lay down the principles applying to mutual aid in the prosecution of peace as well as war, they provide no specific commitments or mechanisms.

Two things seem clear. First, that there must be an international organization or organizations of some sort for the consideration of international problems, and, second, that the United Nations must commit themselves to placing their force back of the essential decisions for peace.

It is not proposed here to make a detailed recommendation on this point but simply to emphasize that such a guarantee of peace in our time is a necessary basis for full economic recovery. The risks of war block long term economic planning and enterprise. Peace is even more essential for prosperity than prosperity is for peace.

4. Monetary Stability

Ranking close to the hazard of war as an obstacle to human material progress is the changing value of money. When there is question about the value of money, trade is disorganized, dormant, or feverish, as in Germany and Central Europe after the last war and in France during the monetary troubles of the '20s and '30s. Especially is the advance planning on which a high level of employment so largely depends blocked by doubt of the value of money. The depression of the middle '30s certainly owed some of its severity to fears about money—about its gold value and about the goodness of bank deposits. Money and enterprise grew timid and went into hiding together.

The period of "Pax Britannica" was also a period of stable money when the pound, and for most of the time the dollar, were firmly anchored to and freely exchangeable for a given amount of gold. It was one of the sources of the great material progress of that period.

In the welter of uncertainties which will surround us after the war it is essential, as has been said before, to reduce the areas of doubt, to fix the points of the compass. Only so can the people who want to plan, who want to trade, who want to provide work, go ahead with assurance. Currency value is one of the factors basic to decisions in business and government transactions.

The necessity for currency stability is again being widely recognized, but it will be hard to achieve. Many countries will be impoverished and in disorder, with seriously disturbed balances of foreign payments. Many already are far along the road of internal inflation. Old trade channels will be disrupted. Many countries will lack adequate reserves of gold and foreign exchange. For practically all, the problem of finding rates of exchange that truly reflect the internal purchasing power of different currencies will be a perplexing one. Wrong rates would invite serious difficulties as proved true after World War I.

The rate question cannot be settled alone. It goes along with all the other problems of peace and war and trade barriers reviewed here. No country can assuredly maintain a stable currency unless its internal economy is in order—its budget under control, its price level reasonably stable, and its external payments and receipts well balanced. A stable currency is a logical result of a sound economy and cannot exist long in its absence.

The basic requirements for stabilization are twofold in character. The first concerns the general political and economic background. The second is the more technical question of international monetary arrangements.

It is in the second area that recent proposals have been made for the establishment of an international institution. In April of this year both the American and British Treasuries made public tentative programs for currency stabilization known as the White and Keynes plans.* On August 20 the American Treasury made public a revised version of its experts' plan. Both Governments have wisely refrained from rigid and premature adherence to any particular formula and have invited discussion.

Both plans contemplate the setting up of an international agency—the White plan, an actual fund of gold, foreign exchange and securities; the Keynes plan, a "clearing union," to begin at least without capital assets. Management of the credit agency would be vested by both plans in a governing board with broad powers. Under both plans member countries would be encouraged and aided in fixing their currencies. Once values are fixed, members could not alter their exchange rates without the approval of the governing board, except by small changes under certain circumstances.

Under both plans countries running behind in their balance of payments could borrow other currencies. Countries borrowing from the agency in excess of specified limitations would be required to carry out measures recommended by the board to bring their exchanges into balance. Such measures, it is stated specifically by the Keynes plan, might include a devaluation of currency, control over capital movements, or even such domestic measures as the board deems appropriate.

The White plan in its original form would charge the exchange fund with the purchase and liquidation of the large volume of international balances frozen by the war, essentially a long-term operation. In the revised plan there remains a provision for taking over a part of these balances. The Keynes plan apparently would permit large credit extensions for indefinite periods at nominal rates.

Each plan would provide for the compilation and exchange of information as to foreign balances and the flow of funds and trade.

The Keynes proposal is the more ambitious of the two, and the provisions for making loans would set up vast and highly inflationary credit facilities in a world which will be trying to counteract the inflationary influences created by war. The effect would be particularly inflationary in the United States both by causing an expansion of Federal Reserve credit to the extent other countries borrowed dollars, and by creating large demands for our products at a time when goods are scarce, and the country is trying to meet the wants of its own people. The White plan would apparently involve less danger in this respect in that the sums available would be much smaller and based on member contributions to a central fund, and provisions for lending appear to be more safeguarded.

Conversations between representatives of different governments have been going on. While these plans are under discussion it would be premature to draw final conclusions about them. There are, however, certain principles which have been clarified by the discussions up to this point.

These are, first, that some international institution is desirable: to help nations in stabilizing their currencies; to provide a meeting place for the discussion of monetary questions; to collect information which is a necessary basis for sound decisions; and to make some arrangements for stabilization credits in cases where they are justified, or for temporary seasonal or emergency credits with provisions for early liquidation. The experience with the Bank of International Settlements showed to those who studied its operations the value of such an institution. On a more modest scale the Tripartite Agreement was another encouraging example of the possibility and value of consultation. Whether the needs of the situation would be met best by modifications in the structure of the Bank for International Settlements or by the establishment of a new institution is a question which should be fully explored. Speaking generally, there is much to be said for building upon machinery which already exists.

The second essential point is that institutions of this sort are no substitute for the hard, patient labor of reestablishing the economic soundness of participating countries, of the balancing of budgets, and readjustments to post-war conditions. Especially important is the economic condition of the key countries, the United States and England. To extend this sort of credit before sound economic programs are established would invite failure and loss. In their present form neither of these plans gives adequate recognition to this truth. Clearly there must be a sharper distinction between operations in the period when economic adjustments are in process and the later period of more nearly normal conditions. The short term banking credits appropriate for such an institution are not the kind required for early post-war reconstruction.

A third point relates to the general scale and scope of the operations of such an institution. President Dodds of Princeton has recently suggested that any international organization "must not attempt to frame a super-government so new and unfamiliar that men will not be prepared to participate in it." The Keynes plan clearly violates this principle; the White plan also is open to that objection in its present form both with respect to the amount of money the United States would be asked to put in and the extent to which we and other countries would surrender freedom of action in monetary policy. The principal of limitation of power is especially applicable to an institution whose board might rep-

(Continued on page 1314)

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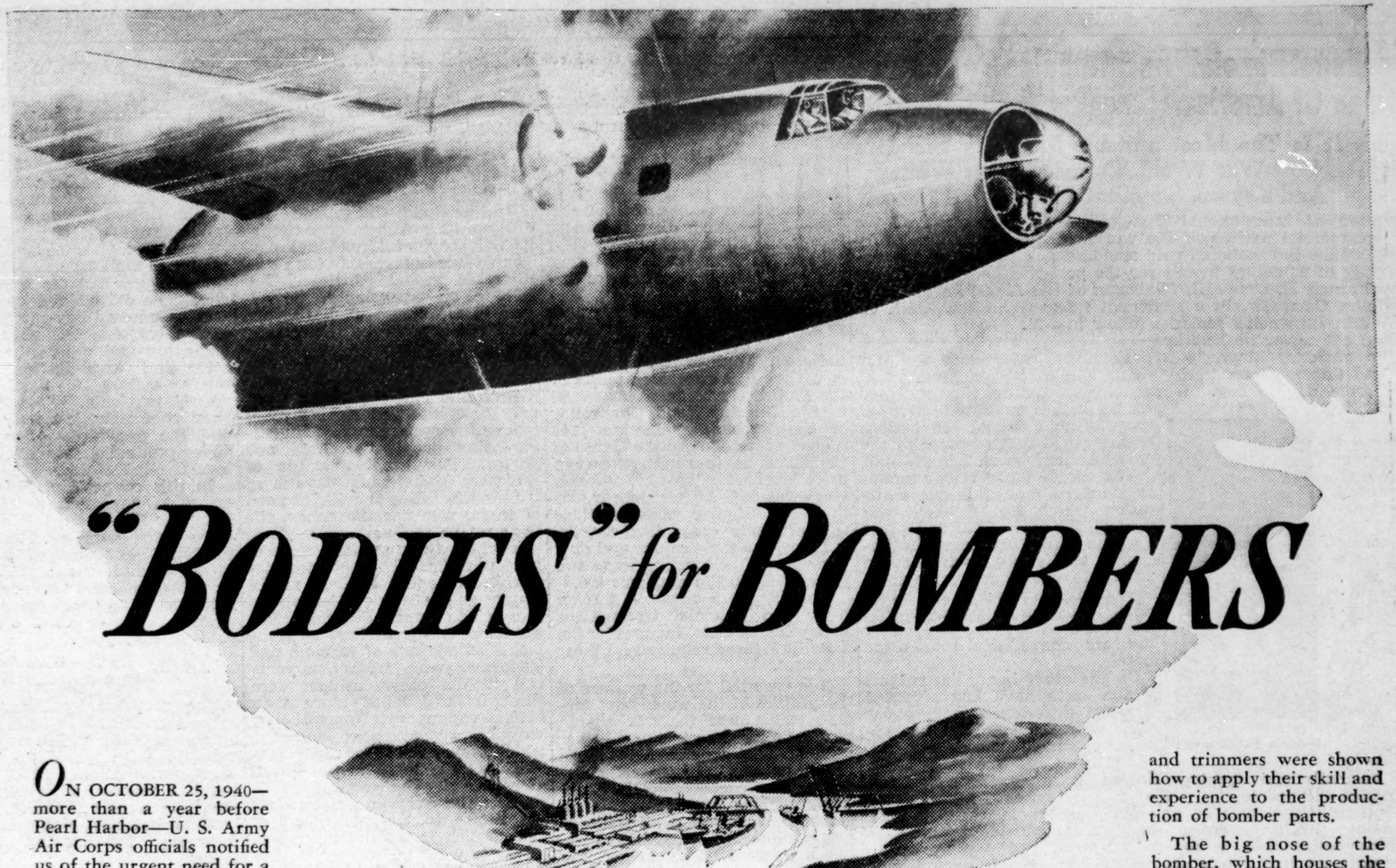
*On June 9 the Canadian Finance Minister, Hon. James L. Ilsey, likewise made public tentative proposals of Canadian experts for a post-war currency stabilization plan which incorporated many of the features of the White and Keynes plans.



"BODIES" for BOMBERS

ON OCTOBER 25, 1940—more than a year before Pearl Harbor—U. S. Army Air Corps officials notified us of the urgent need for a vastly increased aircraft production program, and invited us to participate.

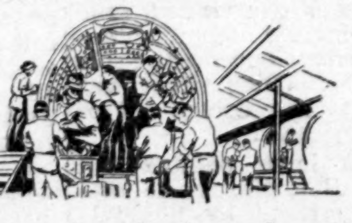
Already we were making Army trucks in great number, completing a huge tank arsenal, building field ranges and tent heaters, and making our first studies of anti-aircraft gun manufacture.

Here was another urgent job that had to be tackled at once.

Without waiting to learn what aircraft job would be assigned to us, we provided 600,000 sq. ft. of additional plant space and, from our own personnel, began to select engineering, metallurgical and manufacturing specialists for this new work.

It was just three months after our first meeting with Air Corps officials that we were officially notified our job was to build the complete nose and center fuselage sections for medium bombers, — including installation of their complete mechanical and control systems.

We immediately sent forty of our technicians to a producing aircraft plant where these men did regular production work and observed, at first hand, the production methods then in use. Our long background in building automobiles and trucks, plus the experience these men gained working with an aircraft manufacturer, enabled us quickly to get under way with the necessary tools and equipment to turn out "bodies" for bombers by quantity production methods.



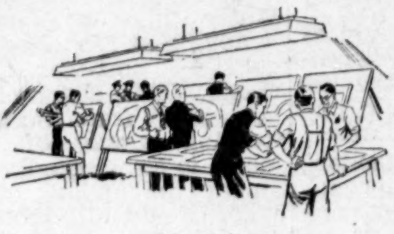
NOSES AND BODIES FOR BOMBERS (INSIDE AND OUT)

To help acquaint us in advance with the many kinds of material and operations involved, the Army Air Corps sent us a bomber nose section. Our engineers and master mechanics made intensive analyses of aircraft blueprints covering more than fourteen thousand structural parts.

The materials to be used included aluminum, steel, brass, bronze, plastics, plywood and fabrics. They would need to be forged, cast, stamped, machined, cut and fitted without the slightest error in their dimensions or relationship.

Many of the metal parts presented entirely new working characteristics. They required elaborate heat treating processes for the extreme stresses demanded of them. They also presented new problems in the design and use of the dies required to shape them.

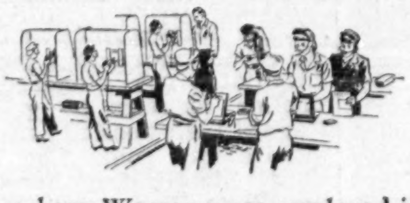
Our production and purchasing specialists determined which parts we could subcontract to other companies. As the work progressed, orders for parts and materials were given to 2,255 subcontractors in 309 towns, in 29 states.



OVER 14,000 PARTS TO BE FORGED, CAST, STAMPED, MACHINED AND PRECISION-FITTED

Aluminum forgings would be needed in large numbers by us and other manufacturers participating in the expanded aircraft production program. Therefore, we were given the job of building an aluminum forge plant to take care of these requirements. We also prepared at our foundry to produce aluminum castings required for plane manufacture.

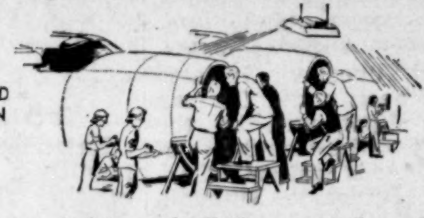
Thousands of men and women had to be trained for this new type of work. We opened schools for the training of workers. Women were employed in large numbers and carefully taught drilling, riveting, machining and assembling of aircraft parts. Automobile sheet metal workers, body builders and trimmers were shown how to apply their skill and experience to the production of bomber parts.



TRAINING SCHOOLS FOR WORKERS

The big nose of the bomber, which houses the Bombardier, Pilot, Co-Pilot, Navigator and Radio Operator is often called the "brain" of the ship. Nearly all the mechanical and electrical controls are here, while the center section immediately behind it provides the bomb carrying space.

If you could look within these sections as the work of assembly goes on, you would see a bewildering network of wires and tubing as well as the structural skeleton of the ship. Every one of these 1,963 separate wires and over 1,000 feet of tubes—to say nothing of all the control mechanisms—must operate faultlessly.



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International Bimetallism Advocated By Brownell Chairman Of American Smelting & Refining Co.

Contends It Is The Most Suitable Monetary Standard For The Post-War World. Comments On White And Keynes Stabilization Plans

Adoption of International Bimetallism by agreement of the leading commercial nations of the world, in order to retain every advantage of the international gold standard and yet assure an adequate supply of monetary metals for the post-war period, was proposed by Francis H. Brownell, Chairman of the American Smelting and Refining Company, in a statement released in New York on Sept. 27. Mr. Brownell's remarks follow in full:

Francis H. Brownell

A nation can never be healthy when its currency depreciates sharply and fluctuates erratically in value from day to day. We have only to remember the economic chaos and human misery that spread over the continent of Europe after the first World War, before currencies were stabilized, to realize that people must have confidence in the money they use if industry and agriculture are to function normally and employment provided the people.

If the purchasing power of a nation's money, be it the dollar, pound or any other unit, is declining rapidly, so that prices of goods soar skyward, an economic collapse, unemployment and social unrest will inevitably follow. When the foreign exchange value of a currency depreciates, international trade cannot be conducted along orderly lines and high trade barriers that choke commerce are the result.

At the end of the present global war, what will be the purchasing power of the moneys of France, Belgium, the Netherlands, Poland, Norway, Czechoslovakia, Denmark and Yugoslavia, inflated as they have been under German occupation? What will be the buying power of the currencies of the defeated Axis nations, Germany, Italy, Hungary, Rumania and Bulgaria? Can the internal economies of these nations and of the countries of the Far East, China, the Dutch Indies, the Malay Peninsula and Japan, revive while their peoples use highly inflated moneys of doubtful value? Can international commerce with these countries, and between them, be resumed on a large scale without monetary stability?

Every business man knows that an early, effective stabilization of their moneys is an urgent and absolute pre-requisite to both internal recovery and the revival of the foreign trade of these countries. The need for such **immediate** currency stabilization has been recognized by the governments of the United Nations, representatives of whose treasuries have been conferring continuously during recent months to evolve a plan to assure the earliest possible stabilization of currencies through international agreement.

The need for monetary stabilization is clear. International collaboration is required to achieve it. We must make sure, however, that the standard adopted to assure such stability is sound and adequate, so that stabilization will be lasting.

Why We Must Return to a Metallic Standard

We all know that the international gold standard broke down during the thirties. This largely resulted from the unsound provisions of the peace treaties following World War I, which made the monetary gold stock of the world inadequate. Economic nationalism, reparations and war debts and other consequences of these peace treaties finally caused so marked a maldistribution of existing gold among the nations of the world that survival of the gold standard became impossible.

The use of the precious metals as standard money is one institution which has worked well through the ages. Gold and silver have been used as money in Ancient, Mediaeval and Modern times. Peoples have learned to have confidence in gold and silver coins, and in monetary units that are anchored to gold and silver and are convertible into these metals.

On the other hand, the nations of the earth have had repeated unhappy experiences with paper money. Hence mankind has always preferred "hard money." In our own Civil War of the 1860s, United States paper currency fell to a substantial discount and, when peace came, there was an insistent demand to "resume specie payment."

History abounds in examples of paper moneys deteriorating in value and at times becoming worthless as the result of wars, revolutions and other vicissitudes of the issuing nation. But we do not have to turn to history for examples of the unhappy consequences of inconvertible paper money issues. We have only to look at the nations of Europe and China today to see the tragic consequences when they are flooded with huge issues of paper money rapidly depreciating in value towards the point of worthlessness.

Is There Enough Gold?

Extended periods of monetary stability in the past have been invariably associated with the use of the precious metals, gold and silver, as monetary standards.

The international gold standard was dominant in the leading countries of the world through most of the nineteenth century and the period down to World War I. Many urge a return to it after the war. But that standard had broken down long before the present war began. Gold had disappeared from circulation and the price had been increased from $20.67 to $35 an ounce, thus in effect increasing the volume available. This failed to solve the difficulty, however.

The monetary gold stocks of the world, according to the best available estimates, do not greatly exceed $30,000,000,000, at the prevailing price of $35 an ounce for the yellow metal. The monetary gold stock of the United States amounts to $22,000,000,000, which is more than 70% of the world stock. Obviously, the $8,000,000,000 or so of monetary gold owned outside the United States is very far from adequate to permit the other nations of the world to return to any type of workable gold standard.

Furthermore, it is not enough that each nation have some gold to make the international gold standard workable. Each country must have a gold reserve that is large enough to take care of adverse contingencies as they arise. A nation should be in position to export a considerable quantity of the yellow metal, to cover a temporary deficit in its balance of international payments without being forced to suspend gold conversion and abandon the standard.

How much yellow metal would be needed to make possible a lasting return to the gold standard by the peoples of the world after the war?

The amount of gold reserve desirable for each country will depend upon its price level at home and the volume of trade and other transactions that it carries on with other countries. The higher the price level, the larger the gold reserve required for domestic purposes.

After the war, commodity prices probably will be higher than before the conflict, since a drastic deflation would not help reconstruction. The expressed policy of the British Government, as stated by Sir Kingsley Wood, Chancellor of the Exchequer, in his 1943 budget speech before the House of Commons, is to retain the then price level after the war, and this level was 60% higher than it was in 1939. Similar considerations will probably cause this country to follow the same course and seek to maintain the existing wage and price levels in the post-war era.

The larger a nation's foreign trade and financial transactions with other nations, the greater the metallic reserve required for these purposes.

It is essential for the welfare of the peoples of the world that foreign trade after the war should be far larger than in the pre-war period. The general determination of nations to lower trade barriers, develop economically backward regions and cooperate in global reconstruction all point to a vast expansion of commerce between nations. The larger the volume of such trade, the greater the disequilibrium that may develop in the balance of international payments in any one year, and so the larger the amount of gold needed in any attempted return to an exclusive gold standard. Hence, regardless of the fact that the gold stocks sufficed for the world's needs for a monetary metal to settle international balances before 1914, and for a few years in the 1920s seemed adequate with the help of the artificial mechanism known as the "Gold Exchange Standard," plus large foreign loans by the United States, there is every reason to believe that a serious shortage of gold for post-war needs looms ahead. This shortage will arise even apart from the fact that the existing supply of the yellow metal is so unequally distributed among the nations of the earth. What is evidently required, therefore, is the expansion of the present monetary gold stock through the addition to it of the other great monetary metal, silver.

The White and Keynes Plans

Recognizing that the inadequacy of the present gold supply, and the small gold holdings outside of the United States, bar a general return to the gold standard after the war, the American and British Governments are preparing plans for economizing on the amount of gold required to achieve monetary stability. These plans, and the American White Plan in particular, are nothing more or less than efforts to return to a partial international gold standard with a smaller amount of gold. The Keynes Plan does not necessarily require any gold. The International Stabilization Fund, under the White Plan, would give each nation a considerable credit on its books against which only a fractional deposit of gold need be made. Both plans are, in effect, types of managed currency.

Commentators on these plans, almost without exception, have pointed out, however, that when a country's maximum credit on the books of the proposed International Stabilization Fund has become exhausted, the same problem will arise as when gold holdings are all exported under the international gold standard. The inadequacy of the medium for settling international balances will thus again become apparent.

If a plan like the White or Keynes schemes is ultimately adopted, therefore, every practical measure should be taken to increase the ability of a nation to maintain its credit balance on the books of the International Stabilization Fund, and thus the stability of its currency, even though its balance of international payments turns unfavorable for a considerable period of time. This calls for an expansion of the volume of settlement media beyond the limit imposed by the amount of gold available.

Asia and Africa

Both the single gold standard and the White and Keynes plans ignore the preferences of the silver-using peoples of Asia and Africa. The humble status of countless individuals devoid of banking facilities or without need of them, who use the rupee, the yuan or the tael as their medium of exchange and as their store of wealth, makes silver the most desirable coinage for their needs. Unlike gold, silver can be minted into coins of small denominations adequate to the modest requirements of myriads of farmers and tradesmen who, from one year-end to the other, seldom earn through hard labor more than $100 in our money. Nor will they willingly accept paper currency, which they distrust for many reasons, not the least, if the latest, of which is the experience of China. The average Asiatic does not aspire to the possession of gold, which is beyond his reach. Silver is what he wants, because silver is the gold of the masses.

Any post-war monetary system must recognize the situation of these people, who constitute approximately one billion human beings or nearly one-half of the estimated population of the earth. The importance of this section of the world in the future from a commercial standpoint will be much greater than in the past.

International Bimetallism

Silver has been in use as a monetary metal as long as gold, and over a large part of history and a large portion of the earth's surface it has been preferred to gold.

Before 1816 all countries, and until the 1870s all countries except England, had a bimetallic monetary system. But they never established identical ratios between gold and silver. When transportation improved, this difference in ratios led to arbitrage. When gold was overvalued, gold coins were melted down or exported, and silver became the sole money in use. When silver was overvalued, it was driven out of circulation by gold.

Economists have pointed out right along that this basic difficulty encountered by bimetallism would not arise if the same ratio were adopted by the leading commercial nations of the world by agreement at the same time. The great English economist Alfred Marshall, probably the outstanding social scientist in the English speaking world of the past century, said in his great work on Money Credit and Commerce, "An agreement entered into by all the commercial countries of the world to keep their mints open to gold and silver at almost any reasonable ratio would tie the values of the metals to that ratio, so long as the agreement lasted." He urged that currencies be made convertible into gold and silver together, with an ounce of silver considered equivalent to one-twentieth of an ounce of gold.

The world's monetary gold stock today is less than 1,000,000,000 ounces, of which the United States owns more than 70%. The world's monetary silver stock is well over 5,000,000,000 ounces, of which the United States holds approximately half. Were the nations of the world to agree upon international bimetallism, with a fixed and permanent ratio of 20 to 1 established between silver and gold, as Marshall suggested, there would be an immediate increase of more than 25% in the aggregate stock of standard money. If we take the countries outside of the United States alone, their holdings of standard money would be increased by some 50%! A ratio of 10 to 1 would double the above percentages. But the actual ratio should be determined by a Commission advised by experts—economists, bankers, geologists, mining engineers and others qualified—after full investigation of the many factors involved. They should particularly consider the amount of metallic money desired and the possibility of increased silver production at various price levels.

In this connection, it is interesting to note that in 1940, the last year for which full statistics were made available, the world produced about 41,000,000 ounces of gold and about 273,000,000 ounces of silver. The production ratio was thus approximately 7 ounces of silver to 1 ounce of gold in that year.

Advantages of International Bimetallism

The adoption by international agreement of International Bimetallism as the world's monetary standard, with or without the use of an International Stabilization Fund to economize on the use of monetary metals in settling international balances, would have the following far-reaching advantages:

1. The volume of standard money would be immediately increased, particularly outside of the United States, to meet the larger needs of the post-war world. This would enable nations to maintain the stability of their currencies even if an adverse balance of payments should compel substantial shipments of gold and silver for a time to other nations, or to the International Stabilization Fund.

2. The yearly addition to the world's stock of standard money would be expanded, for the normal annual output of some 40,000,000 ounces of gold would be supplemented by production of some 270,000,000 ounces of silver.

3. The stock of monetary metal could be expanded further, if found necessary, through drawing in considerable quantities of silver from the arts.

4. Nations whose populations desire would be able to restore the cointage of standard money on a large scale. This has become progressively less possible as the gold shortage has caused all governments, including the United States, to withdraw the yellow metal from circulation.

5. If a world-wide shortage of standard money should again threaten, it could be corrected through stimulating silver production and lowering the ratio of silver to gold by international agreement.

6. The adoption of International Bimetallism would not make the International Stabilization Fund Plan unnecessary, but would rather help assure the success of any such plan by facilitating each nation's ability to replenish its credit on the books of the International Fund through its power deposit silver, as well as gold, for the purpose.

7. This is the only monetary plan that assures the world at large will possess an adequate stock of monetary metals, no matter how large domestic and external trade becomes, and no matter at what points world prices are stabilized.

8. A much larger number of nations would be themselves producers of standard money under International Bimetallism, and thus would be aided in maintaining the stability of their currencies through the production of monetary metals within their

Says Domination Of Industry By Few Corporations Makes Free Enterprise Impossible

Questions Whether Laissez Faire System Can Be Restored Without Lowering Standard of Living

Editor, The Commercial and Financial Chronicle:

I have heard it said that free enterprise is in danger, not because it has been attacked by its enemies, but because it has been abandoned by its friends.

Dr. Clyde William Phelps, in his interesting article "Planned Economy and Free Enterprise," in The Chronicle of Sept. 16, admits as much when he speaks of "a great and widespread retreat from competition." But the examples he gives of this retreat are minor indeed by comparison with the major breakdown in the free enterprise system which is responsible for the effort to restore the balance by governmental intervention.

If it is true, as Dr. Phelps says, that "competition is the major force which we rely upon in our free enterprise system to make the system work effectively," then any business practice which hampers competition is a blow at free enterprise, more deadly because more secret than anything that may be done by the Washington bureaucrats. "Gentlemen's agreements," collusive bids, interlocking directorates, cartels, and other monopolistic devices were with us long before the bureaucrats began their career of regulation. It is the simple truth that the various anti-trust laws, and the boards and commissions set up to enforce them, were attempts to **restore competition**, and not to destroy it. There has probably never been a time when American business could not have regained its freedom if it was willing, to use Dr. Phelps' phrase, to "accept the responsibility to compete more fully and freely."

It is questionable, however, whether free enterprise can be restored without abandoning the industrial techniques which have made a high standard of living possible, and that is the problem to which the economists should address themselves.

The breakdown of free enterprise has resulted not so much from monopolistic practices, and the government regulation resulting therefrom, as from the increase in size and decrease in number of industrial units which has accompanied technological development. When an industry is dominated by one or a few giant corporations, business policy, including competition and prices, is no longer made solely by the operation of the open market, but in part by the administrative action of corporate officials, who are necessarily governed by financial considerations rather than by the broad, general welfare of the whole community.

The traditional economic theory is built around the law of supply and demand. It is assumed that if men are left free to follow their own self-interest, supply and demand will be regulated automatically by the rise and fall of prices in the open market. But if a little group of men can sit down around a table and fix prices or control the volume of production, obviously there is no longer a free market. And this holds good whether the little group of men are bureaucrats administering a Federal law or business men administering the affairs of a great corporation.

Either you have industry automatically regulated by the impersonal forces of competition, or you have it **controlled** by the administrative action of individuals. In the first case you have free enterprise; in the latter, you have **planned economy**, no matter who does the planning.

Not One System of Enterprise But Two

We speak of "the American system of free enterprise," but as a matter of fact we have not one system but two—one "free" and the other "controlled"—and for many years there has been a steady shift from the "free" area to the "controlled" area. This has been due first, to the rapid increase in municipal ownership; second, to the extension of public control over more and more privately owned industries; and third, to the substitution of "controlled production" with "administered prices" for business practices commonly associated with free enterprise.

The latter, while by far the most significant, has received less attention than it deserves from professional writers on economics, although it has furnished the raison d'etre for most of the New Deal attempts at regulation.

A comparison of two industries, each typical in its own field, will illustrate the point.

Before the intrusion of the AAA, there were some six million independent farmers producing for the market. There was no means by which these millions of entrepreneurs could correlate their efforts, and no one of them had any significant control over prices or volume of production. Each farmer produced as much as he could and sold it for what he could get. This was genuine "free enterprise," in which supply and demand were equated by price. If prices went too low, some farmers might, and many did, go broke, but the community as a whole was not impoverished. Society continued to enjoy full production and maximum use of human and material resources.

Contrast this situation with that prevailing in the agricultural machinery industry. Here is a typical large-scale industry, in which a few giant corporations control the entire field. When confronted with falling demand in the early days of the depression, this industry elected to hold its prices firm and made the adjustment to lessened demand by restricting the volume of production.

The mere fact that they had the power to make this choice demonstrates that the industry was not a "free enterprise" in the traditional sense of the term, that it operated on radically different principles than the farmers who bought their products.

The following table illustrates how far this development had gone at that time:

Relation of Price Drop and Production Drop for Ten Major Industries From 1929 to the Spring of 1933*

	Per Cent Drop in Prices	Per Cent Drop in Product'n
Agricultural implements	6	80
Motor vehicles	16	80
Cement	18	65
Iron and steel	20	83
Auto tires	33	70
Textile products	45	30
Food products	49	14
Leather	50	20
Petroleum	56	20
Agricultural commodities	63	6

*Source: "Industrial Prices and Their Relative Inflexibility," by Gardner C. Means, published as Senate Document 13, 74th Congress.

Effects of "Administered" Prices

Observe now the economic consequences of this difference in operating practices: If a bushel of wheat sells for $1 and a mowing machine sells for $100, then a hundred bushels of wheat will pay for one mowing machine. If the price of wheat drops to 50 cents a bushel and that of mowing machines to $50, a hundred bushels of wheat will still pay for one mowing machine. But if wheat drops to 50 cents while mowing machines remain at $100, then it will take 200 bushels of wheat to pay for one mowing machine. And that is substantially what happened. At the depth of the depression agricultural prices, as shown by the foregoing table, had declined 63% while production had fallen barely 6%. For agricultural machinery, however, the reverse was true; prices had dropped only 6%, while production was off 80%.

Under these conditions the bankruptcy of the farmer was inevitable. The prices he received for his products were "free" prices, but his purchases were made in a market in which prices in varying degrees were "fixed" or "administered."

And there you have the basic reason for the New Deal policy of regulation. The AAA was an attempt to organize farmers so that they could do what corporate industry was already doing—maintain prices by restricting production. The killing of little pigs and the plowing under of crops was no different in principle than the deliberate restriction of production by industrial corporations.

The Remedy Worse Than the Disease

The failure of the New Deal to achieve any fundamental solution through this policy was not due to its bungling ineptitude, but to the fact pointed out by Dr. Means in the brochure quoted above, that any policy of restricting output, whether by governmental or corporate action, breeds more evils than it cures. Restriction of output results in the disemployment of labor, which still further reduces buying power, and so ad infinitum. An initial decline in price thus tends to grow into a national catastrophe. During the recent depression production declined, the national income dwindled, people could not pay their debts or taxes, and thousands of banks closed their doors. If the deflation had been allowed to run its course, wholesale bankruptcy would have ensued. Government intervention not only became necessary, it was welcomed at the time by all classes.

There is not space in a letter such as this to discuss this problem in detail. The writer's sole purpose is to point out that the New Deal was an attempt to meet a very acute situation. Inept, bungling, un-American—call it what you will—if the New Deal is ousted at the next election, the original problem will still have to be faced.

If we cannot restore a free market and flexible prices to the whole of our economy, then those sectors where free prices threaten bankruptcy will continue to seek refuge from competition in government regulation.

Nothing is gained, it seems to me, by talking as if the New Deal were the gratuitous invention of Meddlesome Matties, and that free enterprise would be restored ipso facto if and when the New Dealers are kicked out. It was farmers threatened with the loss of their farms who demanded the AAA and the Milk Control Boards. It was small business men threatened with extinction who demanded the "fair trade laws" and special taxes on chain stores. It was merchants and shippers suffering from secret rebates who demanded the ICC, and so on and on. Step by step "free enterprise" has been abandoned, each step making the next inevitable. The New Deal is a symptom and not a cause.

Dr. Phelps and his brilliant confreres among the economists will render a truly great service if they will show us how this problem—**the wholesale retreat from free enterprise under the impact of modern technology**—can be solved.

WILLIAM G. LIGHTBOWNE.
Bogota, N. J., Sept. 29, 1943.

R. J. Thomas Enters Appeal Following Charges Of Violating Texas Law Governing Organizing

R. J. Thomas, President of the United Automobile Workers and Vice-President of the Congress of Industrial Organizations, was arrested on Sept. 23 and charged with violating the State law which requires persons seeking members for a union to hold a license from the Secretary of State said an Associated Press dispatch from Pelly, Texas, on Sept. 23, which added:

The union leader was arrested by W. B. Miller, Harris County deputy sheriff, at the end of an oil workers' rally sponsored by the Oil Workers International Union of the CIO.

Three other CIO organizers who spoke were arrested. They are John W. Livingston of Kansas City, regional director of the southwestern region for UAW-CIO; C. M. Massengale of Kilgore, assistant national director of the Oil Workers Organizing Committee, and John Crossland of Houston, sub-regional director of the CIO.

Criticizing the Texas law, Mr. Thomas said:

"We're not going to let any selfish interests here in America—in Texas or anywhere else—sneak behind our back and put on the people of this country the same kind of restrictions and bans that Hitler put on the German people.

"And we're going to fight it tooth and nail, wherever that happens, because we know if it can happen in the Legislatures of Texas and several other States, it can happen in Michigan, and if it can happen in the States, then it can happen in Congress—and even if we lick Hitler, we will have lost the very things we are fighting for."

Mr. Thomas asserted that Colorado, Kansas, Alabama and Florida had laws similar to the Texas labor regulatory statute.

Further Associated Press advices from Austin, Texas, on Sept. 25 revealed that an appeal had been made indicating this as follows:

Chief Justice James P. Alexander of the Texas Supreme Court granted tonight a writ of habeas corpus for the release of R. J. Thomas, President of the United Automobile Workers, Congress of Industrial Workers affiliate, from Travis County jail.

Mr. Thomas was found in contempt of court today by Judge J. Harris Gardner in 53d District Court and was sentenced to three days in jail with a $100 fine. Justice Alexander said a hearing on Mr. Thomas' case had been set for Oct. 20.

Judge Gardner asserted there was no question that Mr. Thomas had violated a temporary restraining order preventing the union official from soliciting membership in a union without a license as required by Texas law. Following his ruling on the contempt issue, the jurist made permanent the temporary restraining order.

Garfield, Goerz & Co., NYSE Firm, In New York

As of Oct. 11, 1943, Richard A. Garfield, Edward V. Goerz, and J. Victor Onativia, member of the New York Stock Exchange, will form the Exchange firm of Garfield, Goerz & Co. with offices at 120 Broadway, New York City. Mr. Goerz in the past held membership on the Stock Exchange and conducted his own brokerage firm in New York. Mr. Onativia has recently been active as an individual floor broker and prior thereto was a partner in Elliott, Crawford & Co.

N. Y. Hanseatic Elects

Otto H. Steindecker, assistant treasurer, and Maurice Hart, assistant secretary, have been elected assistant vice-presidents of the New York Hanseatic Corporation, 120 Broadway, New York City.

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borders. The western hemisphere, chiefly Latin America, produces about three-fourths of the world's silver, while the eastern hemisphere turns out about three-fourths of the gold.

The United States should support international bimetallism because, without lessening or impairing the use of gold or damaging the monetary situation in any country, such a system would serve best its economic interests and those of the western hemisphere.

International bimetallism will escape all of the disadvantages that arise when any one nation resorts to the use of two standard monetary metals, instead of gold alone.

International bimetallism retains every advantage of the gold standard, but possesses a number of additional advantages over gold.

The end of the war and the launching of a cooperative effort by all nations to restore monetary stability with the return of peace provides an unparalleled opportunity to bring this superior international monetary standard into effect, thus assuring a more effective and lasting monetary stability in the post-war world.

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Our Post-War National Debt

(Continued from first page)

win the war," "but," he added, "they will demand accountings of those who, through ill-conceived fiscal policies, load on the nation any unnecessary debt burden." Doctor Saxon, in telling the gathering, "we can help the world most by remaining free and prosperous," reminded those he addressed that "**our** job is to keep our own house in order, while encouraging peace and revival of international markets, trade and finance."

In discussing the growth of the national debt, Doctor Saxon dealt somewhat along the lines of a special article he wrote for the "Chronicle" last May (given in our issue of May 13, page 1753).

The following is part of his speech before the Controllers:

There are three ways by which Government can rid itself of debt. It can be directly repudiated. It can be inflated out with disaster to our people and destruction of their savings. It can be gradually redeemed in honest dollars through taxes.

Debt can be retired honestly through taxes, however, only when kept within reasonable bounds commensurate with national income and wealth.

What Is Wealth?

Economists define wealth as only things which are **material, useful,** and **owned** by man. Intangibles, such as accumulated knowledge, imagination, will-power, though instrumental in producing wealth, are **not** wealth. Things not owned by man are not wealth. Fish in the sea, deer in the forest, the air we breathe, the untold riches in and under the sea are **not** wealth until reduced to possession through toil and sweat and made useful to man.

Wealth, therefore, is mainly the product of man's labor, expended on natural resources-production.

There are only three factors in production—land (all natural resources), labor and capital. Roughly speaking, there are only two—land and labor, for capital is mainly the product of labor accumulated in savings or physical assets, such as tools of production.

The **value** of wealth is a matter of yard-sticks. Today we measure it in dollars of a theoretical gold value and a practical purchasing power.

In evaluating wealth, whether it be a horse, farm, mine, factory, or the United States, the value is simply the price, which the component items will bring on a free market—the price at which buyers are willing and **able** to buy. (Mere desire means nothing.)

National Wealth

Based on this yard-stick, the present value of our national wealth is about **$388,000,000,000.** It necessarily varies from time to time, depending on production, consumption and the price level.

* * *

However, Harold Ickes, Secretary of Interior, recently made a most astounding statement. He said that the United States are worth more than twelve trillion dollars, or, in figures, **$12,023,000,000,000.**

This statement is quite irresponsible. All economists (worthy of the name) estimate our national wealth at **$388,000,000,000.** That sum is only 3% of Mr. Ickes' figure.

Has Mr. Ickes' good nature been capitalized by the day-dreamers in Washington to justify their post-war world-wide WPAs, PWAs, FHAs, etc? Perhaps the Secretary has been covering the North Woods recently with (legendary) Paul Bunyan. Yet a false blow has been struck at our fiscal sanity.

The Secretary's statement quiets many honest fears. It belittles the gravity of our skyrocketing national debt, already the largest in all history, in honest dollars, and estimated, in a long war, to approximate between three and five hundred billions. It pooh-poohs the possibility of national bankruptcy, which, after World War I, paved the way in Europe, through inflation and repudiation of national debts, for dictatorships as the only alternative to anarchy.

Secretary Ickes Evaluates Our Wealth

Mr. Ickes obtains his "valuation" merely by adding to our true wealth the incomprehensible sum of 11 trillion, 635 billion dollars (97% of his entire estimate), labeling it "value of our undeveloped natural resources." Ten trillion dollars (83% of his estimate) is credited to our coal deposits.

In other words, he arbitrarily adds 11⅔ trillions as the value at which our **undeveloped resources might be sold, if they were all developed into useful things with ready and able buyers at current prices. He ignores the obvious fact that their markets are some hundreds, even thousands of years in the future.**

There are interesting examples of what undeveloped resources are worth. Manhattan Island was once sold for $24 worth of whiskey and some trinkets. The Indians probably thought they had fleeced their white buyers.

Who can say that Manhattan was then worth more? In fact, not so many years ago (1933) certain people in Washington were wondering whether we shouldn't give the country back to the Indians. But that was before the deficit spenders took over.

Mr. Ickes must think that Jefferson cheated Napoleon in 1803 when we bought for $11,250,000 the Territory of Louisiana, which now covers all Louisiana, Arkansas, Oklahoma, Kansas, Missouri, Nebraska, Iowa, North Dakota, South Dakota, Montana, most of Minnesota, and portions of Colorado and Wyoming. He must think Seward tricked Russia in 1863 when we bought Alaska for $7,200,000. Perhaps he thinks the SEC should indict them posthumously for fraud!

These prices sound absurd today, but they represent the approximate value of those territories **undeveloped** at that time. The tremendous increase in value of those areas is due to labor and capital savings expended by a free people in developing the usefulness of their resources and in making markets for their products.

Mr. Ickes' "wealth" is not wealth because 97% of it cannot be utilized until tremendous quantities of labor and capital have been expended on it and ready markets created. Nor can it be used to pay our national debt.

With 97% of his birds still in the bush, Mr. Ickes counts them all as in the hand, ready for sale at present prices to willing and able buyers. If a corporation offered its securities on this basis, its officials would be convicted of fraud under the (Truth in) Securities Act. Mr. Ickes is probably not deliberately deceiving us, but we need truth in high office today as much as truth in securities!

Time was when whale oil was a vital product. Almost over night kerosene put it out of business, only to be challenged by natural gas, which in turn was put out of the illuminating business by the incandescent electric light. Nylon will probably ruin the Japanese silk industry. Synthetic rubber can destroy the billions invested in Eastern rubber plantations.

Crude oil, the world's most valued natural resource, would be relatively worthless without the automotive engine. Who knows when science will tap untold energies directly from the sun? What will happen then to our undeveloped oil and coal deposits which Mr. Ickes values at 11⅔ trillion dollars?

Secretary Ickes Is a Piker

If Mr. Ickes' formula for value is correct, he is a "piker" to stop at 12 trillion. He should include the air we breathe, the fish in the seas, the birds in the brush, the fast-multiplying jack-rabbits of the Western plains, the possibilities of gold from the ocean, and the unlimited energies of the sun.

Ten trillion of the Secretary's "wealth" is in our coal deposits, mostly "soft" coal. **Yet with only 11 billion dollars you could today buy all the known coal deposits in the United States and its possessions.**

These deposits are only worth what you can get for them under ground today **in their present form.** If you leased a deposit to any operator, he would pay you **about 25 cents** for each ton he took out of the ground.

He must sell the coal for about $2.00 per ton, after it has been mined, graded, cleaned and loaded for shipment. The payroll per ton for this is about $1.50. This leaves about 50 cents to cover all over head expenses, machinery maintenance and repair, depreciation, taxes and profit. If you could get one-half of that 50 cents, you would have made a good bargain. You would probably get less.

An orange sapling, with proper care, labor, fertilizer, etc., may grow into a tree and produce hundreds of dollars worth of fruit in its lifetime. But Mr. Ickes wouldn't give $5 for it today.

That sapling, like a coal deposit, is merely a permit to work, worry and invest money with only a **chance** of selling the product at a profit commensurate with the risks of loss.

But even Mr. Ickes finally hedges. He says:

"If our coal and oil and vast timberlands lay at the feet of primitive people, they would still add up to such figures and yet, in fact, they would be worth almost nothing. But in the hands of men and women as highly civilized as we are, by our enterprise, amounting to almost genius, we shall add greatly to the value of the resources."

Yet China and Russia have more labor than, and probably as great natural resources as, we. Their peoples have ingenuity, genius and spiritual qualities equal to ours.

The chief factor lacking in their equation, the key to all prosperity, Mr. Ickes dismisses with one word: "enterprise." Yet **private** enterprise, with its profit motives, regulated by government to prevent abuse, stimulates economic energy far more effectively than any other social device. Virtually every American immigrant came from a "backward" area, but in the climate of a free economy "the disinherited" and their children have built the world's greatest accumulation of wealth and income in all history. And we have only just begun!

America's Capital

About 50% of our man-made physical assets produce useful goods and services. Our industrial and commercial plants, machinery, railroads, the means by which we convert undeveloped resources, **constitute the greatest stock of tools the world has ever known.** They are, in economic vernacular, "capital." The millions of Americans, whose savings made them possible, are "capitalists."

By use of this "capital" American workers have increased the earning power of their muscles about 300% since 1870. Without it, our living standards would be what they were 100 years ago. Yet through ever-new technological devices, we can progressively tap our undeveloped resources at lower and lower costs until we may have a uniform 30- or even 20-hour work-week, maximum employment, real social security for all, and a standard of living beyond our wildest dreams. All this will be the product of our labor and capital on our undeveloped resources.

The Price We Pay

Yet, according to Treasury Department reports, our capitalists are satisfied with **only a chance** of a small profit to compensate for the risks assumed. Between 1924 and 1936, a mixture of good and bad years, net earnings of all manufacturing capital was only 3.02% on the investment. The peak figure was 6.4% in 1929; the valley figure was a **loss** of 3.79% in 1932. That doesn't seem too much to pay for the tools that make possible our phenomenal production.

In fact, over a period of years about 80 to 85% of our national income goes to labor and the self-employed, while not more than 15 to 20% goes to profits, interest and rents and royalties.

Since work is a major factor (without which natural resources are worthless) in production, we must think of our national debt and taxes in terms of work.

If the average wage of a worker were $1 an hour, a $300 billion debt means that **every one** of America's 50,000,000 workers would have to contribute 6,000 hours, or 150 weeks of 40 hours, or about three work-years, to pay off the debt. **The annual interest alone,** at 3%, would require 9,000,000,000 work-hours per year!

Lord Keynes' Theory

The vital necessity of maintaining our national solvency is appreciated by all thinking people, except the emotional planners and self-seeking bureaucrats. They, of late years, have been fervently practicing the "deficit-spending" theory (imported from England) to perpetuate themselves in power. This theory, sired by Lord Keynes, would justify a permanently unbalanced budget. (It has been unbalanced since 1930.)

A nation, according to Lord Keynes, can spend without limit, regardless of its income, wealth, or debt. So long as we merely owe the debt internally, to ourselves, the process of paying it off involves only siphoning of money, through taxation, from one pocket into another. **This entirely disregards the fact that the pockets are in different pants and are not owned by the same person.**

Under this magic wand debt becomes, if not virtuous, at least respectable. Governments could borrow and squander endlessly to satisfy all pressure groups with Treasury handouts.

Harry Hopkins, close adviser to the White House, on the eve of a recent election, said: "We will spend and spend, **tax** and **tax,** and elect and elect."

This political opiate ignores the fact that debt has a disconcerting habit of demanding interest. Annual interest on a **$100,000,000,000** debt will approximate **$9,000,000,000,** a sum equal to the entire annual cost of the Federal Government in the 30's and three times that of the 20's. This annual interest alone will amount to about **$68** for every man, woman and child in the United States!

Even these astounding figures do not upset the "spenders." Recently Seymour Harris of Harvard, currently with OPA, a disciple of Lord Keynes' American counterpart, Professor Hansen, also of Harvard, stated that we can conceivably stand a debt of **$4,000,000,000,000.** This would, at a rate of 2½%, require annual interest payments of $100,000,000,000. Yet national income was only **$85,000,000,000** in 1929, the largest in history until this war. (It is estimated at **$135,000,000,000** for 1943.)

Another fly was found in this political ointment. When the higher income groups had been clipped to the skin by taxes, it became necessary to tap the average citizen. Taxes then proved somewhat unpopular.

Lord Keynes' theory removes this fly, changing the slogan to "Spend and spend, **borrow and borrow,** and elect and elect."

No wonder his ideas are so welcome in Washington. Borrowing is painless, compared to taxing. The bureaucrats could now thumb their official noses at taxes and unbalanced budgets. It's nice work if you can get it and keep it.

Unfortunately for the "deficit spenders," the Brookings Institution, an authoritative, impartial research agency, recently issued a study entitled, "The New Philosophy of Public Debt," which completely demolishes the Keynes theory.

Now comes Mr. Ickes, who dramatically extracts another white rabbit from the mysterious depths of the New Deal hat, which itself, after 12 long years, must be pretty nearly bankrupt.

His thesis is that our wealth is unlimited. Why worry over a debt of 300 or 500 billions, or even Professor Harris' four trillions, when we are worth 12 trillions?

The Secretary, with his "blitz," is softening us up for a post-war spending spree. Under his theory, the New Deal can guarantee full employment, social security from cradle to grave, and Vice-President Wallace's bottle of milk a day for every child in the world. We can feed the world indefinitely, write off billions advanced under "Lease-Lend," police the post-war world, and indulge in thousands of post-war projects, domestic and foreign, now being dreamed up by hundreds of commissions and committees—all this (and Heaven too) and still remain solvent!

The United States Are Very Rich

The United States **are** very, very rich. They can, if they will, be even richer. But they **must** produce their riches through toil and sweat from Nature.

In 1940, with only **6%** of the world's population, we produced an income of **$72,000,000,000,** 36% of the total world income.

Our per capita income in 1940 was about **$550.** That of the rest of the world was only **$70.** By equalizing incomes throughout the world, we would add about $30 per year, 8 cents per day, to the incomes of **2,015,000,000** people outside the United States. But this would flatten our own standard of living to 1/6 of its present level.

These figures reduce all the current international reform and world-wide relief projects to sheer absurdity. Nothing real can be gained by redistribution of existing wealth. We can, however, encourage increased production everywhere, so that there will be more to distribute among us all.

Less prosperous nations, with huge populations and undeveloped resources, can do what America has done, if they secure the climate of political and economic freedom that stimulates men and women to work hard, accumulate savings, assume risks, and acquire power tools that multiply productivity.

We can help the world most by remaining free and prosperous. **Our** job is to keep our own house in order, while encouraging peace and revival of international markets, trade, and finance.

We Must Keep Our Own House in Order

Keeping our own house in order will itself be quite a challenge. Total government in the United States in the 30's cost about 16 billions per year.

Assuming this total cost after the war for **ordinary** functions of government, if we add 20 billions annually for policing the world

(Mr. Wallace's estimate), 15 to 20 billions for cradle-to-grave social security, 7 to 9 billions for interest on the post-war debt, 1 billion annually for additional benefits to veterans and their dependents, and, say, 3 billions for debt retirement, total annual cost of government would be between 62 and 70 billions per year. That is more than our entire national income averaged during the 30's!

Merely to tabulate these figures shows the impossibility of the program. Yet, they include nothing for many favorite New Deal projects at home and abroad.

Secretary Ickes, therefore, does the country a great disservice when he runs interference for fiscal crystal-gazers who are planning global reform, despite their twelve-year failure at home.

Our people will gladly make all necessary sacrifices in lives and dollars to win the war. But they will demand accountings of those who, through ill-conceived fiscal policies, load on the nation any unnecessary debt burden.

It seems proper, therefore, to challenge anyone — **anyone**—who makes light of the prospect ahead of us. We must face up realistically to the price we are paying for victory.

In the final analysis, every venture on the road of deficit spending (other than for emergency periods), has ended in national bankruptcy at some time, some sooner, some later, depending on peculiar conditions of time and place. Regardless of what white rabbit is used to hypnotize the people, national insolvency is always followed by inflation or dictatorship.

Inflation, of course, can be avoided by complete government control of all production, consumption, wages, prices, and all economic life.

This, of course, is dictatorship. Government can prevent prices rising, if it uses the concentration camp, the bayonet, and the firing squad to enforce the controls.

There is, however, no way to maintain a nation of free men and women except through economic freedom. That requires a solvent nation, willing and able to pay its obligations through taxes and the sweat and toil of their labor.

A three-hundred-billion-dollar debt can be repaid in honest dollars, if we have the moral fibre and political courage of our forefathers. But it will require return to economic and fiscal sanity in spending and taxation.

Growth of Federal Debt

In 1910, the Federal debt of the United States was only $1,470,000,000. By 1920, the costs of the first World War had raised this debt to $24,298,000,000. During the 1920's, the debt was reduced steadily, falling to $16,185,000,000 by 1930. Then the depression years of the 1930's raised the debt to $43,000,000,000 in 1940.

On June, 1943, the costs of the second World War had already lifted the debt to $137,000,000,000. It is conservatively estimated that, at the present rate of Federal expenditures—$2,000,000,000 weekly —the debt will reach $300,000,000,000 in 1945. By the end of that year, the debt may well reach or even exceed our entire national wealth, estimated at about $388,000,000,000 today. In effect, it will constitute a 100% mortgage on all our resources.

The seriousness of the problems raised by this situation cannot be too greatly emphasized. The per capita Federal debt in 1910 did not exceed $12. By 1920 it had increased to $220. By 1940 it had risen to $326.

A national debt of $300,000,000,000 in 1945 will mean a per capita debt of approximately $2,222 for every man, woman and child in the country. In brief, in the span of 35 years our per capita debt will have risen from $12 to $2,222 despite an increase of 47% in our population in this period.

In 1932 Franklin Roosevelt said: "Any government, like any family, can spend for a while more than it earns, but you and I know that a continuation of that habit means the poorhouse."

The "Chronicle" invites comments on the views expressed by Doctor Saxon, or on any related phases of the subject under discussion. Comments should be addressed to Editor, "Commercial and Financial Chronicle," 25 Spruce Street, New York.

Over-Priced Growth Stocks

(Continued from page 1295)

mand is so great to offset completely all the basic factors involved. This in turn is a lesson that you cannot go against the market, if you want to make money. There must be a healthy respect for the opinion of the majority even though you do not have to agree with it.

All the time certain securities are pushed up or down to levels obviously too low or too high. Sometimes this appraisal is not very complimentary to the level of intelligence in the Street. Just taking a glaring example: Int. T. & T. a year ago was available at 3, now it is over 14. There was absolutely no change in operations or prospects of that company. A year ago all we saw were bearish factors. There is no other explanation for it but that we all think the same things at the same time. A little iconoclastic vision a year ago would have been very profitable in that case.

We in investment trust work, having a longer view in our approach to investments, naturally are less concerned with the market phase of security analysis than those who are associated with brokerage firms which have to consider shorter term trading. On the other hand, we are not married to the past record as trust companies are, which, I believe, makes the conditions of our work practically ideal.

This leisurely approach is probably the reason why I have developed the fixed belief that consideration of values, or the first two points of security analysis, in the long run is more profitable than thinking in terms of the market trends. Once one develops a good sense of values of individual issues, which takes years and a lot of effort, it is sufficient to watch their action, and as soon as some one is patently out of line up or down, sell or buy. If judgment involved is reasonably good, a steady accumulation of profits will be made whatever the market as a whole does. In other words, the business of running into cash and out of it in anticipation of market moves requires sense of the market which only sensitive and fast-thinking and acting ticker watchers can accomplish successfully, and they are very rare. That is one of the reasons why the market enthusiasms for growth industries or companies is the time to run away from them rather than buy them, because when there is bidding you may be almost certain that the prices are too high.

It is sufficient to review the record of the "growth industries" of the past 15 years to see how correct this view is.

We all remember the great expectations and valuations of stocks in the air-conditioning field in the 1930's because that was a coming new industry and stockholders who chased Carrier Company stock up to $67 in 1937 in expectation of a great future for air conditioning have had a rather drab waiting period. The company had the volume but no profits and only about now it is beginning to capitalize on the hard work of a decade, and despite that the stock sells only at one-fourth of the high. The stockholder who, instead of jumping on the bandwagon when it started rolling, waited to purchase the stock when the hullabaloo subsided, was the one who made the profits, not the one who anticipated the development by buying before the chickens were hatched. Then, after that, we had **prefabricated houses.** Everybody was in it and nobody made any money on it. Another glaring example is **radio** industry. We all remember the rise of Radio Corp. stock and what great things were expected from it. The interesting point is that they were right in terms of volume. There are, I think, 40,000,000 sets in this country now which nobody thought possible in 1929. Obviously all those hopefuls who bought the radio stock at above 100 were right and even conservative in their expectations, but they lost money because volume is not necessarily profit. We must realize that in a competitive economy nobody can make money easily. It is literally a matter of decades to develop and market a new product. Wall Street is inclined to jump to the end of the rainbow and consider a thing done just because it was started.

Aircraft Manufacturing

Speaking more specifically and in terms of the future of another growth industry, the aircraft manufacturing group, at the start of the war we pushed these stocks up to prices too high from the viewpoint of long-range values because apparently many of us believed that we would be able to unload before the day of post-war reckoning comes. Sadly enough, some of us still hold Boeing or Lockheed at costs twice the current market. The unloading started rather early, so that only some took the profits, the others guessed right on the length of the war and volume of business but did not anticipate E. P. T. and ultimate market reappraisal of prospects at lower levels. Now aircraft stocks are down at levels that may be too low in the aggregate. Using just a rough index, the total market value of aircraft manufacturing companies now is approximately $350,000,000. In view of the fact that in the first two or three post-war years the aircraft industry may average a volume up to $300,000,000, in my opinion the **total** valuation of the issues is not too high, since it really means that the market is roughly 15 times possible earnings at 6% of potential sales, which is not exorbitant because of the long-term growth factor of the industry. From an investment viewpoint, of course, this over-all picture does not consider the most important element, that is, which individual companies are going to do better than the average. There is no doubt that many companies will fail to match the growth of the industry, and will probably fall by the wayside, while, on the other hand, certain others in the group will do better and may be cheap at these levels. That, of course, is to be determined by appraisal of management, assets, and other characteristics of each concern, and you can make your selection on the basis of your opinion of them. Summarizing, it is evident that among aircraft stocks there are companies that will give profit from these levels and if you feel that you can choose the winners you may buy. It may be a good idea, however, to wait, even at the expense of paying higher prices than the current market, until the trends are clearer because the risks are too large.

Airline Stocks Over-priced

Taking an affiliated group, the airline transportation industry, in my humble opinion the values of the securities of most companies are entirely out of sight. Specifically, I have made recently a little study of the prospects of one of the major transport companies and have indulged in some crystal-gazing in projecting its trends into the future. I have used most optimistic premises for my estimates, such as, for instance, that the company will nearly treble its capital by sale of preferred and common stocks, and by issuing low interest rate equipment trust certificates; that the volume of operations will go up better than proportionately to additional capital employed which would bring them up to more than 7 times that of the last peace year (1939); that the rate of charges will be stabilized at current levels; and that the efficiency will be high, profit before taxes in percentage of gross revenue to be nearly 3 times that of 1939-1941 and that return on capital after taxes will be permitted to rise to above 6% on the capital invested.

On the basis of this most optimistic calculation, the conclusion was that the stock today sells at 12 times these Utopian earnings. On a purely actuarial basis, if there were a way of evaluating the risks involved, it is evident that the stock should now be selling not at 12 times this impossible estimate, but probably 5 or 6 times. In other words, I believe that the airline transportation stocks are too high. That is one group of stocks that serious investors are hardly justified in buying today.

Misnaming of Growth Companies

Manuals that we use for appraisal of securities have a major shortcoming which confuses the analysis of individual securities. Listing the operations of individual companies very slight distinction is made in description of operations as to size and profitableness of each division. In other words, a company may be engaged in three or four industrial fields but only one of them may contribute the lion's share of the sales and profits to the consolidated picture. However, when a company is discussed, it usually is classified in all fields, so, for instance, a concern in a durable consumer field with relatively uninteresting future, from which field most of the sales and profits are derived, may be classified with electronics because the company in the last year or two started a new department in that field. So just because a company is engaged fractionally in an interesting industry is by no means sufficient for optimistic appraisal of the entire venture.

Conversely, there are "flash in the pan" developments which operate in reverse. An uninteresting enterprise may have a product which temporarily is very successful and brings great profits and publicity to it. Then when competitors wake up the thing collapses. I am thinking of "vitamins." No doubt some companies have recently made a killing in that field. However, I doubt that these profits can be projected into the future and capitalized as a growth situation. I believe that vitamins, instead of giving the tremendous profit margins that they have been in the recent past, will come down to a reasonable 20% when all those now tooling up for production enter the field. In short, it is always well to know exactly what are the ingredients of any change in any company before capitalizing the expected growth.

Summary

A good general rule can be accepted in principle; never to buy an untried issue when it discounts the future without fairly definite indications that strong background exists for exploitation. For that reason I believe that most of the so-called "electronics" issues is overpriced now. There is no doubt that there is growth there, but to take current operations and profits in that field as basis for buying is rank optimism. There is a great difference between producing for government on practically cost-plus basis in tremendous volume and trying to market a new product under competitive conditions. Metal working and assembling ability and plant capacity of this country at the end of this war, will be plentiful. All these instrument makers and metal workers will be operating under an entirely different set of conditions with terrific investment risks. Therefore, it is extremely optimistic to have visions of great profits in that field apart from the element of reasonableness of expectation of volume.

A Plan For Deduction Of Post-War Reserves

(Continued from page 1294)

1. The deduction should be elective.

2. It should not exceed a percentage, say 15% of net income.

3. The entire funds should be required to be invested in government bonds.

4. The fund should be expended within a period of three years after the war ends.

5. It should be expended for any one of specified post-war requirements—such as severance and relocation costs or wages; costs of reconverting, moving or adjusting plant facilities; deferred maintenance not otherwise covered; inventory losses; deferred research expenses; losses due to contract cancellations, reemployment of service men, etc.

6. If not so expended, the fund or unexpended portion should be subject to recapture by the Treasury by taxing it at the rates in effect when the fund was created.

"Many of the post-war expenditures will be the outgrowth of all-out activities for war production. They may be made in later years when it may be expected that somewhat lower tax rates will be in force, and if there is no loss or unused credit the post-war expenses will save taxes at such lower rates; yet the profit growing out of the activities which necessitated the expenditures will have been subjected to the highest tax rates in our history.

"We should not overlook the fact that equity in taxation is important. Our policy of permitting deductions only in the year actually incurred will result in these costs being deductible in the years that follow the coming of peace. I think we can look for a reduction in tax rates at that time—not to pre-war levels, but certainly we can reasonably hope for a reduction in the 90% top tax bracket. Yet the profits which resulted from the activities that make the post-war expenditures necessary will have been taxed at the top rate. If there is to be an equitable distribution of the tax burden that grows out of this war, such expenditures should result in tax reduction at the same rate as was applied to the income which caused them. That will be accomplished only if the deduction is allowed in the year in which the profit is earned, regardless of the fact that the expenditures may not be made until a year later."

Public Utility Pfds. Situation of Interest

Public Utility preferred stocks merit investment consideration, according to a circular being distributed by Stifel, Nicolaus & Co., Inc., 105 West Adams Street, Chicago, Ill., discussing the attractions of these issues. Copies of this circular together with a list of preferred stocks which the firm believes appear particularly attractive at current levels may be had upon request from Stifel, Nicolaus & Co., Inc.

Facts, Figures and Promises

(Continued from first page)

sources and ingenuity of business—or the government will be forced to take over in a major way. To avoid such a disaster, Senator Hawkes urged that the following steps be taken: (1) Reestablish the independence of the three branches of government; (2) get rid of excess bureaucracy and man-made directives; (3) see that the States are protected in their rights; (4) eliminate subsidies; (') have intelligent men administering government agencies, and (6) protect the right of citizens to criticize. He also said that business must fight for the foundation of all freedoms—the freedom of a man or woman to work when or where he or she chooses, union member or no union member—and asserted that the mainspring of American life—fair reward for work and accomplishment and the development of genius—must not be broken.

Following is the text of Senator Hawkes' address:

Your organization, the Controllers Institute of America, is composed of men whose careers have led them to cultivate a passion for facts and figures. You appreciate the value of factual data. You have learned to dig out the facts and the figures. You know how to evaluate them, and how to separate the truly factual from the fictitious. And you have the ability to utilize this information so that it will present a valid picture upon which to base a plan of action. Conversely, you—above all men—can appreciate the helplessness of any enterprise, be it private or public, which is compelled to make decisions which **are not** predicated upon factual data. or which are based upon administrative regulations which lack a solid foundation.

Yet this latter condition is the one in which your Congress finds itself today. In order to perform its legislative function, the Congress must have ready access to an enormous amount of statistical and factual information which will give its members an accurate picture of the conditions confronting industry, commerce, finance, labor and foreign trade. But Congress is often handicapped in securing the facts, and its members frequently are forced to rely on information procured from administrative agencies which—either because of incompetence or deliberate intent—is sometimes found to be inadequate, inaccurate and conflicting. Oftentimes the administrative branch of government refuses to give essential information to Congressional committees, however much they may need it in order to arrive at the decisions they are expected to make. And never were the **true facts** more urgently needed than they are today.

False propaganda is the most dangerous enemy of free men. The importance of gaining the true facts and pushing aside statements made to mislead or to gain the support of unsuspecting citizens is one of the most important problems in front of each of us.

Take post-war planning as an instance. You businessmen must not for one single moment overlook **your** vital stake in whatever plans are proposed and decided upon for redeveloping our national economy in the post-war period. Government, as well as business, is engaged in post-war planning. Did you know that 30 of the 245 agencies now engaged in post-war planning are Federal bureaus? They are financed through taxation—and much of their work involves duplication, overlapping and the employment of unnecessary manpower. Some duplication is desirable, even necessary, but there is no reliable leadership to coordinate the work of these planning agencies.

Some of the Federal planners are drafting their proposals along the line of a "planned economy" which would revolutionize our economic and social system, in a manner that is alien to our American way of life. Their plans repudiate all our traditional conceptions of public finance, and our American pattern of governmental relationships with industry, business and agriculture. These planners minimize the dangers of an unbalanced Federal budget and an ever-increasing Federal debt. They call for an expenditure of public funds on a level never before considered or dreamed of.

Not only do these "planners" regard cost as a secondary matter; they propose changes in our political system which they admit—and even boast—will curb our traditional liberties. Their "plans" ignore the fact that individual opportunity, properly established and protected, would make it unnecessary for the government to do most of these things. They overlook the **truth** that our people do not wish to be serfs or wards of the state—and that men, standing on their own feet, made America great.

These planners of an alien breed maintain that we in the United States are really fighting **two** wars. One, they say, is abroad—against the Axis. The other is here, at home—and they call it "the People's Revolution!"

I am not crying "Wolf!" These are facts, not fancies. The blueprints are already published for all to see. They call for the Federal ownership and control of our public utilities; of our transportation and shipping facilities; of our investments and—even—of our land. Nor are they blueprints only! Already the Federal government owns $16,000,000,000 worth of manufacturing plants and equipment—much of it built during this war emergency. These Federal planners of whom I speak intend that the Federal government shall retain the ownership of these plans after the war—and they plan to use them as an instrument to secure Federal control of our key industries.

And land? Already the Federal government owns land aggregating almost 300,000,000 acres. That is an area equal to the combined areas of New England, all the Middle Atlantic States—including Maryland and West Virginia, as well as the entire State of Pennsylvania—the southern States of Virginia, North and South Carolina, Georgia, Florida and Alabama, PLUS Ohio, Illinois and Indiana. Twenty-one states—with enough left over to make 32 District of Columbia! One-fifth of the total land area of the United States!

The Federal government—YOUR Federal government—has organized a vast and overwhelming bureaucracy. The Farm Security Administration, to cite one example (although it is a comparatively small bureau) has 15,000 employes. It occupies 2,700 seperate local offices, for which the government is paying rent and furnishing personnel—largely for the purpose of controlling the farmer's life and (some say) to control the farmer's vote.

Think of the difference between our Office of Price Administration and its British counterpart. OPA has 2,700 lawyers—500 of them in Washington and 2,200 distributed throughout the country to regulate and to see that the people are regulated. In Britain, the legal staff for the same operation totals only 10—with accomplishments which apparently please the British people better than OPA's do here.

Here is another set of facts and figures which should cause every American to stop, look and listen. Ohio, which has 25,000 State employes, has 90,000 Federal employes. Within the borders of Pennsylvania there are 44,000 State employes, as compared with 215,000 who are on the Federal payroll. Wyoming, with only 1,100 State employes, finds 6,200 Federal employes in the State. With all due allowance for the fact that the conduct of the Federal system requires a substantial number of Federal employes in each State, there is an odious comparison between the records of the present and the records of the past.

I could go on adinfinitum citing figures of this sort. But I simply wish to call attention to the fact that the cost to the taxpayer is increased almost directly in proportion to the number of Federal employes. All of them have expense accounts—including travel, telephoning and the like—and the total runs into millions of dollars. The bill for travel and communications for this fiscal year, conservatively estimated, will reach $100,000,000—and this does not include a single penny for the expenditures of the Army and the Navy.

The joint Economy Committee headed by Senator Harry F. Byrd, has done an outstanding job in the interest of the taxpayer. Senator Byrd's Committee has pointed out practical ways in which Government expenditures may be reduced without the loss of efficiency.

After careful examination of the records made by the Administration and Congress during the past 10 years, one can only conclude that they have as their objective the assumption of greater power and control by the Government over individual life. If these policies are continued they can only lead to the destruction of the system of free enterprise and unhampered private initiative and the substitution of state direction and control of all the lives of our citizens.

That is the goal of the Federal planners. But, gentlemen, it is not the desire of the American people! In my trip across the United States, I found in every section that the people are beginning to recognize the importance of preserving private enterprise in this country. This recognition is not confined to the owners of business; it also comes from the intelligent labor leaders and intelligent workers in every State. They are beginning to realize that if we destroy the American system there is no place left for any of us to go—except to statism, under which we would be a completely regimented people, subject to the orders of a single individual or of a small coterie of power-crazy men.

Gentlemen, the people of America want to get back to the rule of laws, instead of the rule of men. They crave to be rid of these ill-informed Janizaries who tell them what they can eat, what they can wear, and where they can go. They are tired of seeing government set up rules for private business which government itself does not follow. They are beginning to see that government can cover up its losses, while private industry cannot. They are beginning—even the plainest people—to distrust a "yardstick" which is elastic when applied to government projects and rigid when applied to business.

The American people don't mind hardship. They are willing to sacrifice in every way, to whatever degree is necessary, in order to win the war. But they want the hardship spread honestly and evenly among them. They don't want to cheat at home while the boys are serving honorably abroad. They want to be able to look those boys in the eye when they return, and say, "We have preserved American institutions at home so that **you** may have the benefits of the system you defended on the field of battle."

What are we doing to make that welcome possible? Think, when the wars in Europe and Asia end, our economy will lose the customer who now buys half its output—the government. Many of the 10,800,000 then members of the armed forces, plus nearly all of the millions in war work, will be returning to peacetime pursuits, eager for jobs. They will insist on getting them—useful jobs at decent pay, and with ample opportunity for advancement. Never again will doles and subsistence levels be tolerated. Jobs for these returning soldiers and sailors and war workers must be provided through the resources and ingenuity of business—or the government will be forced to take over in a major way. And that is what the Federal planners are counting on!

They know that if we have too much unemployment for too long a time after peace comes, our free society can easily be supplanted by a dictatorial regime. It is lack of jobs on a grand scale that gives regimentors their opportunity. Unemployment in Italy gave Mussolini his big chance. Hitler's gangsters were recruited from among the unemployed. It isn't plotters on the left who constitute the real hazard to our free society, but rather the pressures stemming out of widespread, unwanted idleness. If collectivism comes to America, it will be by default on the part of the good citizens rather than by design on the part of the revolutionaries.

How can be avoid that disaster? Well, we must do a number of things. We must reestablish the independence of the three great branches of government. We must get rid of excess bureaucracy and man-made directives. We must see that the states are protected in the rights which belong to them and which under the Constitution were never ceded to the Federal Government. And, unless we wish state socialism—the kind of Government which controls the lives of individuals and tries to divide property—we must get rid of subsidies, even those subsidies which help our own line of business.

Furthermore, we must see that intelligent men administer the necessary agencies of government—men who recognize that cost of production must bear a fair relationship to any ceiling price. High cost of production and low ceiling prices which permit no legitimate and fair profit constitute the pincer-jaws which can crush free enterprise to death.

We must also protect the right and duty of American citizens to criticize honestly and openly any regulations or controls of the individual life issued by a bureaucratic administration. We are asked in the name of the war effort not to criticize those in authority for bungling the job which involves not only the lives and health of our civilian population but also the lives of our fighting forces. "But when our right to criticize ceases, then the lifeblood of a free people will cease to flow."

The American people must be told a lot of unpleasant truths in the most pleasant way possible. They must know the truth as to what the last 11 years have done to this nation, and then decide if that is the road they wish to continue travelling.

Of course, citizens in wartime recognize that the temporary surrender of certain rights and the acceptance of temporary regulation and restriction, are necessary to victory. But they still must criticize, to the end that such regulations and restrictions will not interfere with the successful conduct of the war.

It is especially important that the business man emerge from his shell of timidity and feel free to criticize, and to present to his Congressmen his ideas, his suggestions and whatever facts he has which may help his representatives in Washington to solve the momentous problems which confront the nation. Despite a ten-year campaign of villification of the American business man conducted by the administration and its allies—and financed largely with the taxpayers' money—the majority of the members of Congress still have a wholesome respect for the opinions, judgments and facts presented to them by business men. This has become increasingly true during the past two years, as the result of the remarkable job done by American industry in the war effort. That is why business men should get together as much as they can, among themselves and with other groups, to develop recommendations on taxation, government spending, labor legislation, post-war planning and other related problems.

In advancing their suggestions on these matters, however, business men should be sure that they do not repeat the mistakes which they made in years gone by. They should keep first in mind the common good. And whatever they do must be done within the bounds of sound economics. After you decide your course, you must fight courageously for it, but never fight for what seems popular when in your heart and soul you believe in another thing that is right—but unpopular at the moment.

Business must fight for the foundation of all freedoms—the freedom of a man or woman to work when or where he or she chooses, union member or no union member. This is the basic freedom—individual initiative and it is the foundation upon which depends individual enterprise, individual accomplishment, individual security and the solvency of the United States Government. The mainspring, which is a fair reward for work and accomplishment, and the development of genius, produces the only fruit from which taxation can be collected.

Labor is entitled to the right to organize, the right of collective bargaining, the right to strike lawfully in peacetime, and to legislation which is necessary to prevent unjust exploitation. Laws governing labor and capital must be just if they are to be effective. They must contain equity for all groups, and should never unfairly invade the constitutional guaranteed rights of personal liberty, free enterprise, private initiative or the realm of lawful property ownership.

America is labor and capital. Under the American system of free men, every working man should have the opportunity to fairly earn and save, so that he may become a property holder and owner of business, and a part of management. That is America, and anything which interferes with the operation of this system will help to destroy free enterprise. The watchword is "Justice to all and special privilege to none." If labor and capital, through failure to understand each other and to voluntarily cooperate, destroy the system of free enterprise and initiative, then each should now recognize that both must become the slaves of the state. We must not break the mainspring of American life—honest profit for hard work, for accomplishment, and for the use of genius in experimentation, research and the development of the things required for the sustenance, recreation and happiness of the human family.

American business men must do more than this. You must take part in the American system of government, by acting NOW to reverse the trend in governmental affairs. That trend today, as outlined by the Federal administration—and up until now approved by the Congress—will lead ultimately to the destruction of states' rights, the socialization of the school system, of medicine, of the legal profession and of business and industry. This is not a job for once a year or every four years. It is a job **every** year—365 days a year—and it requires the same kind of efficient organization which you devote to the conduct of your own business. Recognize your duty NOW to see that the men who take high office in Washington and in your state capitals, in the executive branch or as legislators, be they Republicans or Democrats, believe in the things you are trying to save. And have the **facts** to support every effort that you undertake. You cannot expect to save the American system of free men unless your representatives in the Federal, State and local governments sincerely believe in and will follow through in saving the things you wish and I wish saved.

Always we come back to facts and figures, and sometimes we stack them up against the promises which distinguish the New Deal from the "American Deal" where the cards are really on the table. Facts are usually strangers to the extreme internationalists in our country but they are willing to be long on promises. They place the ideal ahead of the practical, and would substantially sacrifice the national identity, character and independence of the United States Government in exchange for a super-state or United Nations of the World. They do not explain how that super-state would avoid intrigue and coalition of groups within itself, if and when certain nations had to be denied something which their own people demanded. They do not tell us how they would overcome the innate selfishness of human beings, or how they plan to avoid the problems arising from international competition. Their desires and objectives are commendable, but their knowledge is far from convincing.

Midway between these internationalists and the relatively few pure, unadulterated isolationists, are those millions of Americans who believe in maintaining our independence, but who also feel that we can afford to enter into a definite agreement with Allied nations for the purpose of enforcing peace. This middle group, which contains the great body of our citizens—would recognize only those nations which acknowledge the sanctity of contracts and the obligation to fulfill them even when conditions become difficult. These Americans believe in fair trade treaties, and wish to exchange the wares of one nation for those of another on a basis which does not needlessly disturb the markets for our own products. This basis of exchange, they hold, must consider cost of production and the established living standards of the people in the various countries involved. And they know that we must maintain peace and economic tranquility within our own borders if we would be strong enough to render real leadership service to the world.

This midway group leaves the United States as justified in maintaining an Army and Navy of sufficient size and strength to help keep the peace by force if necessary. This group feels this is like paying a small premium on an insurance policy of peace, and in the light of the human lives lost, and the hundreds of billions of dollars being spent for this war, such a cost is a justified taxation upon the people.

In the last analysis, the war will be won and the post-war victory achieved by standing on **sound** facts, figures and promises. We cannot win either battle by waving a magic wand or by idealistic hoping. This is a practical world, and it behooves you gentlemen and all Americans to recognize that the solution of our problem depends entirely on true facts and figures, and that we must not make promises which we cannot keep.

Promises are made by words. They must be fulfilled by acts. Let not our words outdistance our acts. The easiest way to lose our friends and to make new enemies is to make promises which we cannot keep or which—worse yet—we do not intend to keep.

It is my firm conviction that every nation should scrupulously avoid doing anything that can in any way leave the impression with the people of one country, that those of another country are interfering with the election processes of that particular country. We must not try to influence the vote or the will of the people in any other nation except by our example at home. No other country must try to influence the will of our people or the vote of our people except through their example at home. This is vital, if we are to remain friends and cooperate on a great scale for the development and perpetuation of peace.

Quoting Shakespeare:

"There is a tide in the affairs of men
Which, taken at the flood, leads on to fortune;
Omitted, all the voyage of their life
Is bound in shallows and in miseries;
And we must take the current when it serves,
Or lose our ventures."

Wanted: Adequate Basis For a Just and Lasting Peace

(Continued from page 1295)

will mean something far less tangible to us than to them who have borne the burden, the tragedy and the bitterness of blitzkriegs and invasions. At the end of the war there is bound to be a rather confused reaction. Our soldiers will have no desire indefinitely to police the world. Nevertheless there will be a strong urge to imperialism. We shall emerge from the war the strongest nation in the world with no very obvious and immediate gain from victory, with a huge debt and a tremendous problem of transfer from a war to a peace economy. All these circumstances contribute to a growth of imperialism and militarism, partly as providers of jobs. We shall probably want to dress up that naked imperialism with a few fig leaves of internationalism. We shall want "to do others good" and that phrase may mean two very different things which, however, easily pass from the better to the worse. We, or some of us, shall be very optimistic about our ability to "re-educate" the German and the Japanese people at the same time that we are very pessimistic about the more immediate and important task of reeducating ourselves so as to deal with our own racial and economic problems.

It is certain that the chances of the successful survival of democracy in the world are poor if America cannot solve her problems in democratic fashion. We cannot thus solve our problems if we are dedicated to universal military conscription, great armaments and imperialism. Yet, of recent weeks the discussion among us really turns on nothing but the kind of imperialism; shall it be our own imperialism, especially in this hemisphere, or shall it be in alliance with Great Britain, or with Russia and maybe China?

Let me stress the fact that these alliances mean imperialism. Never in the history of the world have alliances preserved peace. Alliances have broken and always will break on the rocks of the resentment of excluded peoples and the differences of interest and ambitions between the Allies.

Walter Lippmann in his overpraised book, **The United States Foreign Policy**, in which pontifically he does much violence to history advocates a "nuclear alliance" of the United States, Great Britain and Russia which, he thinks, in its own interest, will add other nations to it and institute a world order of justice which he nowhere defines. In other words, his book stops at its most important point which is showing that his alliance, once a common enemy has been conquered, will develop on any other lines than have attended the development of all alliances from the times of the Greek city states down through the Napoleonic period and the First and Second World Wars.

Prime Minister Churchill and Governor Dewey of New York put their trust in an Anglo American alliance. This would be valid as a road to peace or a basis for peace only on two conditions, which these notable personages ignore. First, that at the time of the formation of the alliance, it be solemnly announced that **all** peoples honestly desirous of peace and willing to meet the conditions of peace, will be admitted to the confederation of which the alliance is the beginning; and second, that as an evidence of good faith, immediately Great Britain and America will set up machinery to guarantee true freedom to India, Burma, Malaya, Puerto Rico and other imperial possessions outside of the free English speaking nations. Walter Lippmann has truly said that American commitments should not exceed American power. In the past, American commitments did exceed American power. British commitments, even more truly, exceeded British power as two World Wars have proved. An Anglo American alliance would increase our commitments more than our power. Whatever we said, unless we did what I have suggested but what Mr. Churchill has never suggested, our alliance would be correctly considered by the rest of the world as a means of maintaining disproportionate power and advantage. It would invite new wars; it would tend to consolidate Asia against us. It is no basis of peace at all.

Indeed, no police force alliance of any sort is a proper basis of peace. There may be a place for a genuine international police force in the world, but no community of nations can be born simply on the police principle. The police in every civilized community are subordinate to community cooperation and are controlled by law. That is the only way in which you can talk of a police force in the world.

I have spoken so long about various proposals for alliances rather than the Atlantic Charter because, except for occasional lip service, nobody pays any attention to the Atlantic Charter. Its authors, Messrs. Roosevelt and Churchill, wrote a document of pious hopes, not positive pledges. They gave us a watered-down and warmed-up version of Wilson's Fourteen Points. And they do not agree on the interpretation of their own document. Witness Mr. Churchill's famous "We Must Hold Our Own" speech, which applies to regions like Burma and Malaya, which by no moral right were ever England's own and which are not her own today even by right of possession, but will require for their recovery the blood of thousands of Americans. Yet Mr. Churchill has offered them nothing but a return to the status quo.

Secretary Hull (Secretary Hull's speech appeared in the Sept. 16 issue of the "Chronicle," page 1086—Ed.) on Sunday night made things a little better by his thoughtful speech, most of whose general principles were sound. But the time has come for high officials to go beyond these generalities. How would Mr. Hull have the force which he thinks necessary to peace exercised? What sort of organization would control it? Who would be admitted to it? And on what terms? It is all very well to cite our treatment of the Philippines as an example to the world, but what about Puerto Rico? What about our racial problems here at home? What about our failure to abolish the insult of Asiatic unilateral exclusion? How shall our humanity toward the world be generally accepted until we have tried harder than we have to bring some relief to the children of occupied Europe and her cruelly-oppressed refugees? What have the Italian people to hope for the future? I admit that the immediate task is to get rid of the Germans. But then what? Do Messrs. Churchill and Roosevelt intend to freeze in power Badoglio, the King and all the bureaucracies which were fascist until bad weather overtook fascism? Will not the same forces which produced fascism before produce it again, under another name unless more substantial changes are made?

I do not suggest that it is the business of the British and Americans to make any sort of revolution in Italy. I do suggest it is their business to give the people who are our real friends, the people whose opposition to the war gave us so comparatively easy a victory, their chance to work out their salvation. And this principle will apply everywhere in Europe.

It certainly should apply in Germany. I am far from feeling the indiscriminate enthusiasm now preached in some quarters for Stalin. It is not necessary, in order to give due credit to the immense bravery of the Russians, utterly to condone in an ally a totalitarianism we condemn so utterly in an enemy. But Stalin's approach to Germany is far more sane and hopeful than is the apparent approach of the English speaking powers. He has already made it completely plain that he distinguishes between the Nazis and the German people and that he will deal with a government of the German people without indulging the fantastic notion of an indefinite policing and reeducation of the people through foreign gauleiters.

All these problems are certainly not covered by the endless reiteration of the phrase "Unconditional Surrender"; not even when that phrase is qualified by such a thoughtful speech as Secretary Hull has made or by Vice-President Wallace's uncritical enthusiasm for President Roosevelt and the "common man."

The time has come for something more definite and more pertinent to world peace. Indeed it is already later than we think. The United States should use all its power and its influence to get from its Allies a concerted and solemn announcement to the peoples of the world that we want the earliest possible end of the war, which by its continuation threatens European civilization with something close to destruction, no matter who may be the final victor. We want a peoples' peace. To that end we proclaim that it shall be a peace without vengeance against any people and without our attempt, through puppets or gauleiters of our choosing, to prevent the people of any land from solving their own problems.

With equal solemnity we must state our purpose that the peace shall not be a peace to try to guarantee for a few uneasy years white supremacy in the Far East; that throughout the world we seek a new principle than imperialism for the organization of nations and that every people is entitled to self-government.

The fulfillment of these principles, the removal of the causes of the war, the establishment of a just and lasting peace, require cooperation. That cooperation should be inclusive of all peoples who will honestly accept its terms. The test of the value of the cooperation will be not the degree to which a mighty police force is erected, but the degree to which disarmament and the end of universal military service is made possible. We shall have lost the war if we have to continue universal military service after it. There may, indeed, be a taste for an international police force to which the Ely Culbertson quota principle might be applied, but such a force must always be subordinate to positive cooperation to get things done. Already that cooperation exists in a great many individual instances, like the Internation Postal Union and those examples must be increased as we are increasing them to deal, for instance, with the problem of food. It would be well to have the right sort of inclusive confederation. It must not be, on the one hand, a mere police force alliance, of certain powers, or on the other, a highly centralized world state. That confederation can best provide machinery for preventing and settling disputes among nations and for positive controls of certain economic processes on which increasingly the well being of all depend.

To work out this matter in detail requires conferences and not merely secret conferences. I am still of the opinion that the cause of peace and a just peace would be furthered by establishing a standing American commission on peace representing the State Department, both Houses of Congress, and of course, both parties, and representatives of various sections of the public: labor, farmers, educators, etc. Similar commissions might be encouraged in other lands.

Now is the time to adopt a general framework of the future. The details can be filled in later, but if the whole business is left to what is sometimes called a "cooling off" period, it will be a disaster. The cooling off period will merely mean a let-down of such hope for the future and such a cooperation as now exists; the revival of animosities and suspicion. The time for agreement on the general outline of cooperation in behalf of a lasting peace is now while the hopes of men turn toward peace. These are the things that lovers of peace should be saying to their government in every land.

Sen. Wheeler Blames Bureaucrats for Manpower Bungling

At a press conference Senator Wheeler spoke bitterly about what he called the bungling of the general manpower situation, said Associated Press advices from Washington on Sept. 25, which also gives other comments of Mr. Wheeler as follows:

"The bureaucrats in Washington cannot escape the blame for the chaos that exists in the manpower situation today."

"The incompetence on the part of these bureaus—and I include the War Department—is doing more to sabotage the war effort and break down morale of the people than all the fifth columnists in the United States.

"They're asking the American people to make sacrifices. They're willing to compel mothers to go to work in industry and put their children on the streets while they themselves sit complacently back in their soft jobs handing out propaganda trying to discredit anybody who dares to criticize them for their incompetence and lack of intelligence."

Magill Advances Post-War Tax Program

(Continued from first page)

lions, tobacco taxes of $1 billion and miscellaneous excise taxes of $4.1 billions, or a general sales tax in place of the latter. In addition, he said, Social Security taxes would run from $1.2 billions to $2.4 billions annually.

Although questioning whether the total levy on personal incomes could be much reduced, Mr. Magill said:

"Individual income tax provisions and credits must be devised so that they will enable and encourage individuals to save, to provide for their own security, and for the flow of new capital which an expanding economy will require. High surtaxes and high estate tax rates have made the accumulation of an estate of any size almost impossible. It is still important to our economy that citizens be encouraged to carry their own life insurance and to build up their own savings funds, which during their lives will provide life-blood for business, and after their deaths will take care of their dependents."

In emphasizing the need for lower corporate income tax rates in the post-war period, Mr. Magill had the following to say:

"There seems to be general agreement that present corporate tax rates are at a peak, and that substantial reductions should be made after the war. We must devote much more attention than we have to the effect of taxes upon the economy, and the impact of the individual forms of taxes on various kinds of business and social activities.

"To activate the business machine and to convert the war plants to peace-time production, a great deal of new investment will be needed. Some of the great corporations have surplus and reserves adequate for the purpose. Many have not.. It is clear that, to meet our obligations to our own people and to develop markets abroad, large additional amounts will need to be invested. No doubt government will supply some capital, but much should and will come from the private investor. To attract investment in the corporations which conduct our major business enterprises, it is essential that corporate taxes be demonstrably fair; that they permit a resonable return to private investors; that they provide adequate deductions for losses."

"The greatest present brake on corporate enterprise," Mr. Magill pointed out, "is the excess profits tax." Stating that "it is frequently discriminatory and unfair in its operation, since, in general, the well-established corporation is apt to be less heavily burdened than its young and growing competitor," he added that "corporations exploting new inventions and developments are particularly hard hit. Hence the first step in fostering sound business activity and development after the war is the repeal of the excess profits tax." Continuing, Mr. Magill said:

"As a nation, we would be better served with a high level of business activity and lower tax rates than with moderate business activity and high rates. Perhaps neither corporate nor individual rates can ever be brought down to pre-war levels. Congress might well experiment, however, with rates much reduced from present heights. More important, perhaps, would be executive and legislative assurance that we are no longer involved in a spiral of increasing taxes and of administrative provisions of increasing severity; that business can plan on the basis of rates and provisions established for a reasonable term of years."

Mr. Magill's address follows in full:

To some of you, it must have seemed that the character and scope of this address were comparable with one on how and when we will win the war with Japan. Both are addressed to problems which lie very much in the future. Both will be affected by great imponderables, as well as by numerous events that cannot be foreseen in detail today. But if it is not too soon to discuss international organization and international monetary affairs after the war, it is certainly not too soon to consider what our domestic fiscal policy ought to be. The first step in securing a tax system that is bearable is to consider what the nation's fiscal needs are going to be, and how best to meet them.

We have now a considerable fiscal history, and, though the nation may be young, our ideals and ideas, our ways of life, our demands on business and government are pretty well established. Most of us would like to see continue the civiliization we knew before the war. It is certain that governmental modifications affecting the budget will occur, like social security; and changes in the relations of business and government, like the establishment of the Securities and Exchange Commission. But it is still a reasonable assumption that the philosophy on which our tax system, as well as our Government, is built, will remain. At least, this is the basic premise of this address.

What major factors, then, will govern the formulation of our Federal tax system after the war? Here we could consider each of the basic attributes of a good tax system normally cited by fiscal students: simplicity and economy in administration, adequacy and diversity of taxes levied, fairness and equity. For our purposes, two factors are enough to keep in mind. First, what are the requirements of the Federal Treasury likely to be? What are the inescapable items of Federal expenditure, and how much must we allow for them? What kinds of functions and activities do we citizens want our Government to perform, and how much are we willing to pay for them? A related question is, what functions are the States to perform, and what are to be the relationships between the various levels of government? For example, is the Federal Government to subsidize municipal and State activities or not?

Second, how can we best encourage through our tax system the kind of business and social life that we want to exist here? Taxes have become a major factor in determining the form and character of investment, of business transactions generally, and of family settlements and arrangements. Some useful devices, like revocable trusts, have been outlawed; others, like insurance, are both encouraged and discouraged. Doing business in corporate form is discouraged by a form of double taxation, as compared with individual or partnership business. Corporate financing by means of equity securities is similarly discouraged, while debt financing is sanctioned—though the SEC takes a contrary position. Certainly all these particular impacts of the Federal tax system should be reviewed after the war. But fundamentally Congress must consider whether the post-war tax system fosters those incentives to business activity which a healthy economy requires. Can business men afford to take risks? Can they afford to undertakes new enterprises? Or does the tax system load the dice in favor of 3% bonds and safety?

After the war, we will have in our hands a vastly increased productive capacity, and a multitude of inventions and developments fairly pleading to be exploited. We will have an enormous army of workers, more than we have ever employed in peace times. We will have, at home and abroad, a great consumer demand for new houses, automobiles, airplanes, shoes, clothing, food. Even a Treasury fiscal expert will aspire to devise a tax system which, while producing the very large amounts which the Government will require, will also encourage an expanding economy, with the full employment and general well-being which are its fruits.

Now to what fiscal conclusions do these considerations lead us? Even with this general groundwork, it may seem pure crystal-gazing to attempt to state specifically what the Federal tax system will be after the war. However, we can put down the inescapable Federal expenditures, in each case allowing a little leeway up and down. Again, we know what taxes we have been accustomed to, how they have worked, and what the other possibilities are. We can make a reasonably accurate forecast of the tax components of our post-war system. Moreover, even though our table of receipts and expenditures proves to be all awry, we will gain something in thinking through the various items and the considerations back of them. As citizens we will have to have an opinion on these fiscal problems, and it might as well be an informed opinion.

I.

1. Average Federal budgetary expenditures for the first post-war decade will run about $20,000,000,000.

This conclusion is based upon several general assumptions: (1) that major United States military operations in Europe will end by the third quarter of 1944, and those in the Pacific by the third quarter of 1945; (2) that new large-scale shifts from privately-owned enterprise to publicly-owned enterpriese will not occur; and (3) that the United States price level will average close to that of 1942.

There will undoubtedly be a powerful drive to reduce governmental expenditures after the war. Citizens and voters will not want to continue Government any longer than necessary in the role of a senior partner who takes the lion's share of business and individual earnings. Hence thoughtful students expect a very material reduction in the levels of expenditures reached during the war. On the other hand, we have certain inescapable expenses, which, reduced as much as possible, will still total materially more than before the war. Interest on the public debt, the cost of the military and civil establishment, veterans' pensions, aids to agriculture, and social security are principal items. The latter may bulk large, unless business activity provides a high degree of employment.

Before the last war, in fiscal 1914, the Federal Government spent about $1,000,000,000. In fiscal 1924, after we had thoroughly settled down from World War I, Federal expenditures were just over $4.000.000,000. In 1939, the National Government spent $8,707,000,000. Increased interest and military expenditures alone after World War II may exceed this figure. Total expenditures at an average of $20.000,000,000 are therefore reasonably to be anticipated.

On the other hand, there seems a reasonable probability that, on the average, Federal expenditures during the post-war decade can be held to about this figure. It is fair to assume that the States and localities will wish to play a larger part than their recent declining role, and that taxpayers' organizations will seek corresponding reductions in the Federal budget. The projected figure provides for a considerably increased military establishment, more veterans' pensions, and agricultural benefits and social security provisions at somewhat over current rates. Of course, each of these major items of expenditure is and will be the subject of discussion and political controversy. Any of them might be materially increased (and some might be diminished). There will be strong general pressure, however, to reduce taxes, to reduce total expenditures, and to balance the budget. After the best possible evaluation of the innumerable conflicting forces, several students of the subject have reached the conclusion that the average figure of $20,000,000,000 is a good working approximation of total Federal expenditures for the post-war decade.

2. The principal Federal taxes of the post-war decade will probably be individual and corporate income taxes, special excises on liquor, tobacco, gasoline and other commodities regarded as luxuries, estate and gift taxes, and social security taxes, and possibly a general sales tax.

These taxes were the major components of the Federal system during the pre-war decade. A general sales tax is a likely addition, and the war-time excess profits tax will probably be repealed.

The income tax has steadily grown in importance in the Federal system. It is unthinkable that revenues of about $20,000,000,000 will be raised without its use. It will, no doubt, be modified in various particulars briefly outlined in the next section, but in all probability it will still be used to raise more than half the needed revenue. Liquor and tobacco excises have so long a history as major items of Federal taxation that it is very unlikely that their use will not continue. The gasoline tax might be yielded to the States, in whole or in part, as might some greater portion of the field of estate and gift taxation; or it may be that a system of State-Federal tax coordination will call for collection of these taxes entirely by the Federal Government, followed by a distribution of part of the collections to the States. The Federal Government, having utilized estate taxes for 27 years and gift taxes and gasoline taxes for 11 to raise very substantial sums, is not at all likely to give them up entirely. There seems to be no demand for basic changes in the taxes employed to finance the Social Security structure; current discussions are of rates and of the scope of the program.

The excess profits tax used in World War I was materially reduced in rates in 1919 and repealed in 1921, three years after its close. The present excess profits tax, a much more complicated affair, is certainly no more popular with taxpayers, at least, than its predecessor. It has numerous demonstrable failings; its discriminatory operation in cases of competing businesses; its failure to distinguish adequately between excessive profits and normal profits; the enormous difficulty of determining invested capital—to name only a few. The recognized inequities in the basic structure of the law have led to the enactment of sweeping relief provisions, which, in turn, will make administration an almost impossible job. Although the idea of a special tax on excessive profits has many adherents, tax experts are agreed upon the great difficulty of constructing a fair and workable law. Few would fight to retain the present tax. The chances are, therefore, that the tax will be abandoned not long after the war, leaving the income tax the sole major Federal impost on corporations generally.

The Federal Government levied a wide variety of particular sales taxes during the pre-war decade. There seems to be a reasonable probability that either a general sales tax or a considerable variety of particular excises will form a part of the post-war Federal revenue system.

3. Twenty billions of revenue could be raised by these principal taxes in approximately the following proportions: (a) individual income, $8; (b) corporation income, $4.4; (c) estate and gift, $1; (d) liquor, $1.5; (e) tobacco, $1; (f) miscellaneous excises and/or general sales, $4.1—total, $20. Social security $1.2 to $2.4.

In broad outline, the tax structure would be as follows:

(a) Individual income tax rates approximating those imposed on 1942 income would be required, but the law would be modified in several particulars. A normal tax of 20-25% would be collected at the source on wages and salaries. Limited credits would be allowed for savings in the form of insurance premiums, debt repayment, etc. The individual stockholder would also receive credit for the taxes paid by the corporation on the dividends he received.

(b) A corporation tax of 24-40% would be levied. The aim would be to levy the tax at approximately the same rate as the normal individual income tax, but since for years the rate has been higher, the change would probably not be accomplished at once. There seems to be general agreement, however, that present corporate tax rates are at a peak, and that substantial reductions should be made after the war.

The rates of individual and corporate income taxes will be materially affected, of course, by the level of business activity. In view of the excess savings and unsatisfied demands of consumers during the war period, and the generally increasing trend in the gross national product, it is reasonable to assume comparatively good business. If corporate earnings were sufficiently high, a 20-30% tax rate might prevail. A 40% rate is perhaps a little higher than the average will be for the post-war decade.

(c) Estate and gift taxes ought to be coordinated into a single transfer tax. No tax should be laid on transfers between husband and wife. Not much change in present rates or exemptions is likely.

(d) and (e) Liquor and tobacco taxes will probably be levied more or less at present rates. The return may be somewhat more than indicated.

(f) No important change is contemplated in presently imposed excises. As indicated previously, the sharing or elimination of the gasoline tax would reduce collections. A general retail sales tax at a 5% rate might be levied in addition to or in substitution for the particular sales taxes to which we are accustomed.

II.

It remains to consider what changes in the tax system will foster an expanding economy after the war. I have already mentioned various desirable changes in the present program of taxes, but some of them need more emphasis. During the war, when our civilization is at stake, individuals and the corporations they own are willing to make any sacrifice to provide the Treasury with the sinews of war. Hence, there has been no serious opposition during the past three years to the collection of the amount of taxes the President and the Treasury have wished. When the war is over, however, we must devote much more attention than we have to the effect of taxes upon the economy; and the impact of the individual forms of taxes upon various kinds of business and social activities. There are many instances in which our tax structure, which, like Topsy, has just growed, opposes accepted governmental policy as manifested by other regulatory devices.

The major need after the war is full employment. Private industry or government must provide activities and a livelihood for citizens who want to work. Most of us would prefer to see private industry do the job. Since there will be many more individuals seeking employment than in any peace-time year, industry must operate at a high level of activity to absorb them. On the asset side, we will have greatly increased productive capacity—many newly built plants more or less readily convertible to peace-time manufacturing. There is a great backlog of unsatisfied consumer demand for houses, for automobiles, for helicopters, and for an infinity of smaller objects like fountain pens, typewriters and radios, which have been unavailable. We are told that the war, for all its terrific waste of human and material resources, has enormously accelerated invention and development in a thousand fields, from plastics to chemicals and from planes to radios. Hence, there will be great human need for business activity, both because men want to work and because men want the new and the old products of industry.

To activate the business machine and to convert the war plants to peace-time production, a great deal of new investment will be needed. Some of the great corporations have surplus and reserves adequate for the purpose. Many have not. It is clear that, to meet our obligations to our own people and to develop markets abroad, large additional amounts will need to be invested. No doubt government will supply some capital, but much should and will come from the private investor. To attract investment in the corporations which conduct our major business enterprises, it is essential that corporate taxes be demonstrably fair; that they permit a reasonable return to private investors; that they provide adequate deductions for losses.

The greatest present brake on corporate enterprise is the excess profits tax. It is frequently discriminatory and unfair in its operation, since, in general, the well-established corporation is apt to be less heavily burdened than its young and growing competitor. Corporations exploiting new inventions and developments are particularly hard hit. The general relief provisions, if intelligently and generously administered, can assist greatly in eliminating hardships, but the task of passing upon thousands of applications for relief will be enormous, and will not be completed for years. Moreover, it will still be true that the excess profits tax in its general operation is complicated, cumbersome and unfair. Hence the first step in fostering sound business activity and development after the war is the repeal of the excess profits tax. Fortunately, a number of congressional leaders have come to this conclusion already.

The second major inequity in corporate taxation is the double taxation of corporate distributions—once to the corporation as its income, and again to the stockholder when he receives the dividend. There is no similar double taxation of the income of a business run by an individual or a partnership, nor of salaries and wages, nor of the interest on corporate or individual notes or bonds. Corporate rates of taxation are now, and may continue to be, so high that this tax provision is seriously objectionable. For one thing, it tips the scales much too heavily in favor of debt financing rather than equity financing, since a corporation receives a deduction for the interest it pays, but not for the dividends it distributes. It makes the establishment and growth of small corporations particularly expensive and uneconomical. After the war, we want to encourage the establishment and growth of new enterprises. Both in theory and in practice the present tax arrangement is unwise and inequitable. We need to get back to the plan we used prior to 1936, whereby dividends were not subject to normal tax to individual shareholders. Subject corporations and individuals to a like normal tax; let dividends bear the usual individual surtaxes but don't subject dividends to a second normal tax, when individuals receive them.

Corporate tax rates are at a high point in our fiscal history. They ought to be reduced as soon as they can be to a much lower level. As a nation, we would be better served with a high level of business activity and lower tax rates than with moderate business activity and high rates. Perhaps neither corporate nor individual rates can ever be brought down to pre-war levels. Congress might well experiment, however, with rates much reduced from present heights. More important, perhaps, would be executive and legislative assurance that we are no longer involved in a spiral of increasing taxes and of administrative provisions of increasing severity; that business can plan on the basis of rates and provisions established for a reasonable term of years.

I have not attempted to discuss the changes which need to be made in the individual tax structure. One which is pertinent to this discussion is the formulation of credit provisions and tax provisions which will enable and encourage individuals to save, to provide for their own security, and incidentally for that flow of new capital which an expanding economy will require. High surtaxes and high estate tax rates have made the accumulation of an estate of any size almost impossible. It is still important to our economy that citizens be encouraged to carry their own insurance and to build up their own savings funds that during their lives will provide life-blood for business, and after their deaths will take care of their dependents. This is certainly one of the freedoms that we are fighting for.

It is fortunate that legislators and laymen alike recognize the leading role the tax system plays, not only in draining our pocketbooks, but in regulating day-by-day transactions in business and family life. But as taxes may veto transactions and destroy incentive, they can also be used to foster the business activity we desire. To impose them intelligently to this end is the great problem of the post-war decade.

The Transition From War To Peace

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cellations are likely to be very high and that the dollar volume involved will be very great. While contract cancellation is an antecedent step to reducing production and in part may be thought of in connection with retraction of war output, it also raises many other problems which will be pressing for solution. Working capital of many companies will be tied up and settlement of contracts must be made before these companies can use their resources to resume peace-time operations. The problem is much bigger than before, but there is more understanding of it and a great deal of thought has already been given to plans for the liquidation of these contracts and the freeing of working capital of corporations engaged in war work. While there is a chance of confusion in many instances, in the main it is likely that this problem will be handled without major disturbance to reconversion.

When the war in Europe ends, contraction in production will be sharp. The extent of the decline in the FRB index, however, will depend in part upon the amount of war production that is maintained to finish the war with Japan and for military occupation of Europe. If all military production is discontinued at one time and the conversion crowded into as brief a period as possible, the FRB index may decline from its present level of 205 to around 115-120. No such pattern of events, however, seems likely, and the level of production during the conversion period appears more likely to be in the range of 125-150. Just as after the last war, government spending will continue for some time, but for different reasons, and will help cushion the shock of transition.

Supplies of goods owned by the government at the termination of the war will be huge and much of the equipment obviously can have no peace-time use. Inventories of machinery owned by the government or by industries operating under government contracts may likewise have very limited peace-time uses. Some of the raw material industries will be plagued with surplus supplies. This will be particularly true of copper and aluminum and some of the other metals, where scrap will likely be available in great quantities. There will be work for producers of copper and aluminum bars, rods, shapes, and sheets after the war, but little for producers of virgin metals.

These factors are on the negative side; but on the favorable side are the following:

Since this war has been longer and has involved greater restrictions of civilian consumption, there has been a much greater accumulation of consumer demands for goods in the face of declining inventories or elimination of them in many lines. The accumulations of purchasing power have also been greater with which to purchase goods after the war is over. These deficiencies run throughout the economy, from deficiencies in durable consumers goods, including housing, to increasing deficiencies in inventories and to growing deficiencies in machinery and equipment in many peace-time industries; and funds are being accumulated by business and individuals alike with which to make good these deficits. Not only are the accumulations of funds very large, but they are not being dissipated nearly to the same extent by rising prices as they were in the last war, so that present accumulations of funds will go further in buying goods at the end of this war than similar accumulations would at the end of the last war. Consequently, the continuation of government spending after the end of the European war will not likely be as important relative to private spending in the transition period as it was after the last war.

In spite of the relatively greater magnitude of the conversion problem, it is not so serious as it sounds when stated in terms of either total dollars of expenditure for war or in terms of percentage of total production that is devoted to war and that must be converted to peace. It has been estimated that the conversion problem as a technical matter probably applies to only about 20% of industry. Some companies engaged in war work such as tank and airplane manufacture will simply be wound up. Among the larger industries automobiles will be affected most, and it is generally estimated that the time required to get out new cars will be about six months. In general other industries will present less difficulty and many of them, including the railroads, utilities, raw materials, will have practically no conversion problems at all. It should also be borne in mind in considering the magnitude of the conversion problem that we converted to war in a relatively short time. The conversion to peace industry should be relatively much more easily accomplished, on the technical side at least, because industrial managers will be returning to the production of goods and to production problems with which they have long been familiar, whereas the transition to war involved the production of many goods with which industrial managers had little or no familiarity.

Will the deflationary effects of reconversion after the war in some industries outweigh the forces making for a rapid reconversion of other industrial plants and a relatively prompt revival of their normal business activity? It is possible for the difficulties of the transition period to produce serious depression through gross mismanagement. But it appears more likely that, by reason of the considerable thought and planning on the subject, they will be well enough handled so that the pressure of demand for goods and the accumulation of funds will be able to assert themselves and shape the course of business activity. Meanwhile the action of the market and its various groups of securities indicates that the difficulties of the transition period are already to some degree in the minds of investors. — *From "The Broad Street Letter," published by the Broad Street Sales Corporation, distributors of shares of Broad Street Investing Corp.*

Brig.-Gen. Rose In Defending Fathers Draft Looks For Further Handicaps In Manpower Situation

Drafting of fathers is required in order to prevent curtailing the size of the armed forces and essential activities, Brig.-Gen. William C. Rose, Chief of Executive Services of the War Manpower Commission, told the annual meeting of the Controllers Institute of America at New York City on Sept. 21. He also warned that the manpower situation will become worse later on especially in certain critical industries.

Excerpts from Gen. Rose's talk follow:

"I say to you in all sincerity that we must draft fathers or we must curtail the size of the armed forces—which is not our decision—or we must curtal essential activities by taking non-fathers from key jobs, which latter is a responsibility that we in the War Manpower Commission will not accept unless instructed to do so by the mandate of the American people through their duly elected representatives in Congress.

"The national manpower problem cannot be considered in terms of all-over requirement and all-over supply. It is made up of several hundred community problems, each of which must be solved in the light of local conditions. For example, at this moment our all-over requirements and our all-over supply are pretty well in balance. In fact, there is even a little surplus on the supply side—yet for essential war and civilian needs, either these particular individuals do not live in the communities in which the need exists, or, if living in the community are not so domiciled as to be convenient to the factory or activity requiring their services.

"Most conservative estimates indicate that employment in vital war industries must increase by 2,000,000 in the next 6 months. This is *in addition* to the workers who must be hired to replace those leaving for the armed forces or lost to these industries for other reasons. Other and less essential industries will have to furnish most of the manpower needed by these industries which are vital to the war problem.

"Since the national problem is a composite of the local problems we have classified all labor market areas in which there is a city of 25,000 or more, or in which at least 5,000 additional workers will be needed before peak war production is reached. There are 340 such. In Group I areas are those of current acute labor shortage. In Group II are those of labor stringency and those anticipating a labor shortage within 6 months. In Group III are those in which a general labor shortage may be anticipated after six months. In Group IV are those in which labor supply is, and will continue to be, adequate to meet all known labor requirements. As of Sept. 1, 1943, there were 59 areas in Group I, 112 in Group II, 78 in Group III, and 91 in Group IV.

"In Group I areas our anticipated additional requirements of manpower, both military and civilian, for the period ending Dec. 1 of this year is 1,010,000. Our anticipated supply is 530,000, leaving a deficit of 480,000. In Group II areas our anticipated additional requirements for the same period is 1,217,000 with an anticipated supply of 1,028,000, leaving a deficit of 189,000. In Group III areas anticipated additional requirements are 543,000. Our anticipated supply is 843,000, leaving a surplus of 300,000. In Group IV areas we will need 483,000. We anticipate 1,154,000, leaving a surplus of 671,000. Balancing the requirements and the available supply shows 302,000 surplus—but the joker is in getting the 669,000 needed in Groups I and II from Groups III and IV.

"There are those who don't want to go: They have a perfectly good job, live in their own homes among long-time associates and have a natural and understandable disinclination to change. Others are willing to go, provided their families can go with them. Still others will go for a short time, but are not satisfied to be separated from their home and family for an indefinite period. Many make no conditions, and are perfectly willing to follow our suggestions. Even then there is grief, for we are still confronted with the difficulties of lack of housing, lack of feeding establishments, lack of transportation at the place of need; lack of assurance that the individual, if and when transported to a new environment will be satisfied to remain.

"Our progress may be briefly summarized. There are now well over 9,000,000 in the armed forces. There were little more than 2,000,000 at the time of Pearl Harbor. There are now over 9,500,000 in munitions industries, as compared with no more than 6,500,000 at the time of Pearl Harbor. The increase of workers in aircraft industry alone is almost 300%; in shipbuilding it is more than 300%. In productive agriculture, workers in 1942 were some 28% above the 1935-39 average, and greater than for any other period. Finally, we are maintaining the civilian economy at the highest level of any country engaged in the war effort, and the American standard of living has not been curtailed in any essential degree.

"Notwithstanding our achievements, an even more difficult jub lies ahead. Our readily available resources are gone. Further, certain industries that are most critical, and in which the work requires extreme physical stamina, such as lumber, mining, etc., are far removed from centers of population, and recruiting workers for them is at best difficult—all the more so because of wage differentials which are as old as the industries themselves."

Form New Partnership

A new partnership formed under the name of Coggeshall & Hicks will become active on Oct. 1 with the admission to the firm of several former partners of Marshall, Campbell & Co. It was previously reported that the new partnership would be known as Coggeshall & Hicks, Marshall, Campbell & Co.

How Far Can We Go In Organizing Peace

(Continued from page 1294)

pany, bank, trustee, and practically every family in America. We must pay the interest on them. We must pay enough of their maturities to enable us to refund the rest. These bonds are evidence of our national credit. To carry on, we must produce a larger national income in real wealth than at any time before the war. In this emergency we have discovered new strength within us. Our stability now depends on our use of this new productive strength. This in turn depends upon cooperation between industry, labor, agriculture and government in a spirit of mutual helpfulness coupled with increased development of the resources and markets of the world.

To fail to develop such post-war prosperity will mean a shortage of food, clothing, shelter and of all sorts of goods in the midst of a world capable of producing much more than enough to meet the shortage. Such a disaster would make our last depression look like prosperity. It would force upon us such regimentation as would make us wonder whether we had won or lost the fight against totalitarianism.

To develop this post-war prosperity, we must have peace, stability, reasonable assurance of stability and a readiness to develop new discoveries and opportunities. I speak in terms of aviation, radio, electric power, diesel power, automotive, possibly atomic power, electric welding, light metals, improved housing, chemistry, chemurgy, plastics, wood, glass, soy-beans, "sulfa" drugs, and countless other "acres of diamonds" available close at hand.

Using aviation as a specific example, we find that three years ago America produced $280,000,000 of planes; two years ago $1,800,000,000; one year ago $6.400,000,000. This year it will be $20,100,000,000. Our automobile industry at its peak produced only $4,000,000 of automobiles a year. I cite this not because I expect us to continue to produce four-engine bomber planes at this rate in time of peace, but because for a short time following the day of military victory we shall have available a capacity in plants, tools, skilled workmen, skilled supervision, pilots, ground crews and air bases sufficient to revolutionize the transportation and communication system of civilization. This capacity can make savings in time and money of infinite value and can open new resources and markets of equally immeasurable worth. This industry is but one of many that can develop tremendous new values if it has the opportunity to do so. It should be noted also that its greatest value lies in its longest trips. Its internal value to America depends in large part upon its world-wide success. This is characteristic of the opportunities of today when all the world is a neighborhood.

2. In the Western Hemisphere

Of extreme value to us is the development of stability in the Western Hemisphere. In this Hemisphere, all the nations are at peace and most of them are allies in the fight against totalitarian slavery. Improved transportation and new industrial production will increase the prosperity of the people of North, Central and South America in a way that will benefit both them and us if the Western Hemisphere can have peace, stability and reasonable assurance of stability for many years ahead. Under such conditions private industry will prosper "like a tree planted beside a river of water and it shall bring forth its fruit in its season."

3. World-Wide Stability—Its Foundations

This brings us to consideration of the foundations for world-wide lasting peace. Peace is like a building; it must have firm foundations, well thought out plans, practical specifications, skillful workmanship and, after it is built, careful maintenance. First come the foundations.

The foundations must be so placed that every part contributes to the support of the rest and all must rest upon the rock of human understanding and goodwill toward men.

Mutual support is essential to the strength and survival of the United Nations. This became tragically clear when the sovereign, independent and freedom-loving nations of Europe one by one lost their sovereignty independence and freedom as they attempted separately to face the assault of the enemy.

But when the last few free nations of the world, in their extremity, united their forces, the enemy was stopped and the tide of battle turned. Today the United Nations are winning in every part of the globe. On the day of final victory, the United Nations will have demonstrated their ability, when united, to establish military stability in the world for the cause of freedom and justice. Likewise, it will be clear that as long as that winning combination of the United Nations remains intact, at least that long will the the military stability of the world remain secure. At least, that long there will be peace from military aggression. On the other hand, at any moment that that championship team might disband, then there will end the demonstrated certainty of military stability established by the war. While, thank God, it would not necessarily mean immediate war among the Allies, it would end that demonstrated certainty of peace which otherwise would have existed. Any relaxation of the military unity of the United Nations introduces a new uncertainty that calls for military measures to offset it. In practical terms, every relaxation in the assured unity of the United Nations means correspondingly increased armaments or other means of defense against an unnecessary and self-created risk.

United Strength of the United Nations

What then is the first foundation structure to be built for lasting peace? It is the arch of unity between the United Nations. It exists now. We must continue, in some form, this assurance that the United Nations will remain united in peace as well as in war. If we can have this assurance of peace among the United Nations and also the assurance of their unity in resisting attacks from without, then we will have retained at least that degree of military stability that will have been won on the battlefields of this war. The form of this unity is not nearly as important as the fact of it. The first responsibility of the United Nations is to make sure that they as nations and their people as individuals, realize that in unity there is strength and promise of peace, but in disunity there is weakness and danger of war.

This unity is important also to the economic and social stability and development of each of the nations of the world, including our own. Unless each of us is freed from the burden of producing great quantities of non-productive implements of war, we will find that the cost of them in taxes will handicap our industrial recovery, and that the manpower and materials needed for their production will be taken from the production of articles needed not only to raise the standards of life but even to supply essential human needs for food, clothing and shelter.

The Special Value of Aviation

If we examine further into the feasibility of maintaining military stability through the unity of the military forces of the United Nations, we find encouragement springing again from the recent advances in aviation. The increased speed of travel by air will make it possible for an international air force to reach any outbreak of trouble before it can gain dangerous headway. This speed of military aviation tomorrow means as much to the prevention of war in the world of tomorrow as the speed of modern fire departments means to the prevention of conflagrations in the cities of today. If a modern fire department reaches a fire at its start, it can put out nearly any fire with a bucket of water or a single fire extinguisher. Never has it been possible until now for the forces of civiliaztion to reach a distant danger spot until after the danger had started an international conflagration so great that generally it became necessary to let it run its course. Today, the international air force could reach practically any local explosion within less than 60 hours and long before the situation was out of control.

Internal and Regional Stability

With this unity of the United Nations as a foundation, how far can our nation go now in organizing peace? First, to develop our own internal stability as a local foundation for lasting peace, our government should initiate meetings at once between industry, labor, agriculture and government. Those attending these meetings should devote themselves not merely to planning such post-war policies as public construction and public relief. They should devote themselves primarily to the encouragement of such type and volume of industry and employment as will prevent the coming of the depression and thereby eliminate or reduce the number of its victims before they become its victims. The prevention of disaster is far better than the relief of its victims.

Likewise, in our Western Hemisphere, our nation should initiate meetings between industry, labor, agriculture and government. The opportunity for the development of production and prosperity is ours if we direct our efforts towards it rather than toward the restriction of individual initiative to the point where we lose the very freedom for which we fight and reduce the very disease we seek to cure.

In seeking world-wide stability it is quite as important that we do not do now those many things that should not be done as it is that we do do now those several things that should be done. To this end Senate Resolution 114, introduced by Senators Ball, Hatch, Hill and myself advises that the Government of the United States initiate meetings among representatives of the United Nations to propose a form of organization to deal with the utiliaztion of all resources in the prosecution of the war; the establishment of temporary administrations for the government, relief and rehabilitation of occupied territories; the establishment of procedures and machinery for peaceful settlement of disagreements between nations and the provision for a United Nations military force to suppress any future attempt at military aggression by any nation. Similar meetings might also deal with such subjects as international aviation and international currency that should be acted upon immediately and that need not be included in the final peace treaty. Such of these questions as will directly and seriously affect nations whose governments are now in exile and such of these questions as call for a treaty subject to constitutional ratification by two-third of our Senate need not be brought to formal conclusion at this time. On the other hand, much is to be gained by establishing a method or orderly procedure in dealing even with these questions which will wait until a later date for their formal conclusion. The important thing is to go as far as we can on immediate issues and that the gate is open and the way is cleared so that there shall be no moment of disorder in proceeding with the rest. The declared intent of the United Nations to travel a road of peace and cooperation will lend strength to their conduct of the war and confidence to all the world that the fruits of victory this time shall be fully worth the price paid for them.

Decentralization

In the field of international relations it is important also to recognize that many changes have taken place even within the past twenty years emphasizing the value of the decentralization of many international questions among groups of nations especially concerned with them. The Pan-American Union, for example, is peculiarly fitted to the needs of the Western Hemisphere. Its form probably would not meet the needs of Central Europe. On the other hand, some form of association among nations of Central Europe, far closer than that among members of the Pan-American Union, might prove to be of great permanent value in separating the internal problems of that area from those of the world as a whole. In this way the problems remaining for world-wide consideration would be reduced in number and in difficulty and the organization of the United Nations of the world might be simplified.

Action Needed

In the House of Representatives, the point of view that I have recommended is expressed in general terms by the Fulbright resolution. The early passage of this by the House would be helpful. (The Fulbright measure was passed by the House last week.—Editor). In the Senate, this point of view is expressed in general terms by the Vandenberg-White resolution, and more clearly and fully in Senate Resolution 114. Individual support of action by the Senate and particularly by its Committee on Foreign Relations along any of these lines will be helpful. The development of popular interest in these measures is of substantial importance now and becomes increasingly important as the issues become more specific.

Senate Resolution 114

As to Senate Resolution 114, it is not its serial number, its sponsors or its form that is important. The important thing is the taking of the steps it recommends. The important thing is that meetings of representatives of the United Nations shall take place to prepare and to submit to the United States Senate and to the other United Nations an agreement presenting some practical program that will preserve the unity of the United Nations in peace.

Sovereignty

As to the sovereignty of the United States of America and of each nation of the United Nations, this sovereignty exists in order to be used in the interest of people from whom it is derived. One of the most important uses of sovereignty is in the making of treaties of mutual advantage to the parties to them. It is only through the international meeting of minds that the principle of "Peace on Earth and Goodwill Toward Men" can be applied on the heroic scale that is now both necessary and possible since God has given men voices to speak, ears to hear and wings to fly around the world. By virtue of these new powers, men have, for the first time, means adequate to organize the peace of the world. It is for us to prove that we are deserving of these new talents which are the evidence of God's increasing faith in Man. The opportunity is ours. let us have the faith of our forefathers to develop it.

Bondholders' Protective Committee Claims Realty Associates Securities Corporation Extension Plan A Failure Because Inequitable

The Bondholders' Protective Committee for the 5% income bonds of the Realty Associates Securities Corporation, due Oct. 1, 1943, asserts in an advertisement that the company's campaign to obtain voluntary extension of the maturity date of the bonds has "been a failure because the plan is inequitable."

"So long as the company does not assert that it cannot meet its debts," says the committee, "there is no reason for any concession by bondholders, nor for the surrender of any of their legal rights. We therefore believe that bondholders should insist on full payment of principal and interest, when due; otherwise the company should be liquidated. In our opinion, such a procedure would yield to bondholders the full principal and accrued interest."

The committee expresses the opinion that the interest rate should not be reduced to 4½%, as proposed, but that the former 6% rate should be restored, particularly since the company has stated that it earned an average of 7½%, computed on a current basis, for the years of 1941, 1942 and 1943 that an appropriate sinking fund should be provided; that all arrears of interest should be paid at once; that the extended maturity date of the bonds should be 1948, or as soon thereafter as is practicable before 1953; and that bondholders should have a broader representation on the board of directors.

The committee further urges that the bonds be guaranteed by the Reconstruction Finance Corporation, which it believes to be the owner of the common stock, and that in any event the bondholders should receive a substantial share of the equity of the company. Theodore Wechsler, Room 1010, 71 Broadway, New York, is Secretary of the Bondholders' Protective Committee.

Sen. Downey Predicts Collapse Of Germany Within Four Months

The collapse of Germany within four months was predicted by Senator Downey of California on Sept. 25, who said that many of the married men scheduled for induction this fall would never see combat, according to an Associated Press dispatch from Washington, that also gave other remarks of Senator Downey as follows:

He saw one possible exception—development by Adolf Hitler's ordnance experts of some new anti-aircraft weapons to thwart the Allies' aerial blasting of the Reich.

Declaring enormous damage already had been dealt German's munition works, refineries and synthetic rubber plants, Mr. Downey maintained that it was a cold mathematical fact that Berlin and other Nazi cities could be leveled by our bombers.

The Road To Currency Stabilization Proposed By Guaranty Trust Company

The Guaranty Trust Company of New York announced the salient points of its own basic program for international exchange stabilization and world trade recovery in the Sept. 28 issue of "The Guaranty Survey," its monthly review of business and financial conditions in the United States and abroad. This proposal is offered in lieu of the tentative plans for the same purpose made public by the British, Canadian, and United States governments, the adoption of any one of which or any combination of the same would be undesirable, the Guaranty Trust Company states.

"It is our belief," says "The Survey," "that no method of stabilization yet devised or suggested is so sound or so easily operated as the international gold standard—with free coinage of gold, free markets and private ownership of gold, and currencies freely convertible into gold, both for domestic use and for shipment abroad." The Guaranty Trust presents its plan as follows:

There is no serious disagreement as to the desirability of international trade, or as to the need for exchange stability if such trade is to reach its greatest possibilities. How to achieve stability is the all-important problem. It is our belief that no method of stabilization yet devised or suggested is so sound or so easily operated as the international gold standard—with free coinage of gold, free markets and private ownership of gold, and currencies freely convertible into gold, both for domestic use and for shipment abroad.

If the abnormal conditions that exist at the close of the war make an immediate return to the free gold standard by some nations impossible, it may be necessary for such nations to resort temporarily to the gold exchange standard, whereby countries with inadequate gold reserves "tie" their currencies to those based on gold by using their bank balances in gold-standard countries as reserves in lieu of actual gold holdings. Restoration of the free gold standard, however, should be the universal objective.

Need for Sound Public Policies

The success of this or any other program must depend finally on the adoption and general pursuance of sound internal economic and political policies—balanced budgets, reasonable tariffs and trade regulations, avoidance of central bank and Treasury operations that interfere with the price reactions essential to the operation of the gold standard and, in general, governmental policies that promote business confidence instead of destroying it. Every individual knows that his promises to pay will not be accepted by his neighbors unless he keeps his financial affairs in order. Similarly, no country can expect to have its currency acceptable at a stable value in world markets unless its fiscal affairs are under control, its price level is reasonably stable and its internal economy is functioning smoothly and productively. Internal stability is a prerequisite to international stability.

If sound governmental policies directed toward this end are followed, the gold standard can work successfully in the future, as it did in the past. If such policies are not followed, international trade and finance will break down under any conceivable system.

The Simple Fundamentals

A large part of the confusion that exists with regard to the problem of exchange stabilization and trade recovery is probably due to the fact that the simple fundamentals have been lost sight of in the maze of complications and artificialities that has grown up around them. Trade has not attained its present complexity and vital importance suddenly, but through a slow process of evolution. With the first division of labor, when individuals or groups took it upon themselves to specialize in the production of certain articles, trade became necessary; and, although barter was (and still is) practiced to some extent, the use of certain generally acceptable commodities as media of exchange and as measures and stores of value must have developed rather quickly. The early use of such commodity money or "hard" money probably rested upon no legal sanction or formal agreement but merely on the fact that some commodities were so universally desired and so convenient for the purpose that it gradually became customary to accept them in payment of debts and to use them as standards in measuring the values of other commodities.

Of the many articles used as money at various times and places, the precious metals—silver and more especially gold—finally emerged as the most acceptable. There are numerous reasons for the superiority of gold as money. Its usefulness in the industrial arts, its rarity and its high value have, over a period of many centuries, given it a unique quality as a symbol of wealth and riches, and have made it universally desired. Because of its high value, it is not too bulky for hand-to-hand use. Though comparatively rare, it is nevertheless available in sufficient quantities to serve as a general medium of exchange. It is easily recognizable, uniform in quality and almost indestructible. It is easy to coin and melt down. And its relative stability of value makes it especially suitable as a yardstick by which to measure the values of other commodities and other kinds of money.

To avoid the necessity of weighing and testing, it became the practice for known and trusted individuals—and later the sovereign power—to stamp or coin the metal into convenient and easily recognizable units. Finally, the money metal or metals were made legal tender for the payment of debts. Other kinds of money, of course, have also been given the legal-tender power. In the last analysis, however, the value of this money, as well as that of the money metal itself, as a medium of exchange rests upon the fact that it is, or represents, a commodity with an intrinsic value.

Growth of Credit

Along with the development of money has gone that of banking and credit, which depends on money. The early custodians with whom precious metal was deposited by its owners issued receipts for the amounts deposited; and these receipts, instead of the actual metal, were exchanged by the holders for commodities. Later the receipts were issued in even multiples of the money unit and were made payable to the bearer, and thus became in effect, bank notes. The note-issuing function has since been taken over largely by governments and government-sponsored banks.

There was developing at the same time another form of credit instrument, namely, the check—an order by the depositor on his banker—which is now more largely used in some countries than either hard money or paper money. And the practice adopted by the depositaries of keeping a reserve of metal and lending the remainder has grown into the most important of all modern banking functions—that of financing trade and industry. The essential point is that credit, whether in the form of bank or government notes, negotiable instruments or outright loans, depends on confidence in the ultimate ability of the credit-taker to deliver money—which, as has just been seen, rests in turn on the intrinsic usefulness and value of the money metal.

In the most advanced countries the credit structure is built on a comparatively small hard-money base and is sensitive to any event that shakes the confidence of the community. It has become fashionable to speak of "the failure of the gold standard" when the real failure has been that of the credit structure, either because of unsound governmental policies or because credit has been overexpanded to a point where for some reason, political or economic, the structure breaks down and there is not enough gold to liquidate outstanding obligations.

Two Post-War Problems

After the war the world will be faced with two distinct and separate problems. One will be that of readjustment to a peacetime basis. Stores of many consumable commodities will have been nearly exhausted, and in many instances the means of production and transportation will have been destroyed or badly impaired. In large part, these must be replaced and rebuilt on credit; but the task cannot be done on short-term credit, and it should not place an undue strain on the international exchanges. It should be dealt with through sufficiently long-term credit to make final liquidation possible without unnecessary interference with the normal foreign trade structure. The United States can well afford to contribute with other nations toward the rehabilitation of the world by providing long-term credit, partly because it is good business to promote such rehabilitation, partly because humanitarian considerations require it and partly because the distribution of certain surpluses that will exist at the end of the war will aid in the solution of the unemployment problems that may arise.

As far as the second problem—that of normal foreign trade and the stabilization of international exchanges—is concerned, the stability of only a few currencies, which are in fact international as well as national, is of primary importance. Those countries with international currencies should return to the gold standard—or, where gold reserves are insufficient, to the gold exchange standard. Foreign claims on United States gold stocks, if used for the purpose of obtaining metal, would be sufficient in many instances to permit the reestablishment of an adequate gold base. Other countries, which may not have sufficient claims on the United States, are large gold producers. For still others, less fortunately situated, a quick return to the gold standard may be impracticable; but, if sound policies aimed at this objective are followed, gold can be accumulated in course of time.

The process of gold redistribution, however, even under the most favorable conditions, will probably be slow and difficult. It cannot be permanently achieved by the easy expedient of loans, for loans have to be repaid. It can be accomplished only by the repatriation of foreign capital now invested in the United States and by merchandise trade balances. Such a program will require time, steadfast purpose and intelligent cooperation by this country as well as by those endeavoring to accumulate gold. If it is to succeed, both international trade policies and internal political policies must be better adapted to the realities of the situation than they were after the last war. The desire to escape from these necessities by establishing stabilization funds and clearing unions is a natural one, but such schemes offer no escape from economic facts and requirements. Resumption of the gold standard, difficult as it may be, holds out the only reasonable hope of sound and lasting currency stabilization.

Obligations of Creditors

The need for sound national economic conditions and practices applies not only to debtors but to creditors as well. This necessity will, in fact, be perhaps more urgent with reference to the United States than to any other country, since the position of the dollar will be a determining factor in the success or failure of any international post-war stabilization plan. Our failure to adapt our trade policies to our creditor position was an important contributing cause of the worldwide breakdown in 1929 and the years following. The devaluation of the dollar aggravated the maldistribution of gold and became an obstacle to international trade recovery. The unbalanced condition of our national budget, which has persisted without a break for 13 years, will certainly continue for the duration of the war; and there is as yet no assurance that it will be corrected within a reasonable period after the restoration of peace. Other governmental policies have interfered with normal economic reactions, impaired confidence and hampered business revival. Weaknesses like these must be removed before the world can hope for the reestablishment of sound conditions in international trade.

The mistakes made in extending long-term credit after World War I must not be repeated. Although these mistakes and their unfortunate results are exaggerated in the popular mind, it is true that too many loans were made for social purposes which, while temporarily beneficial to the borrowers, in no way increased their ability to service their external debts. Sound long-term loans are those that help expand the productive capacities of the borrowing countries, thus stimulating exports, diminishing imports and increasing the amount of foreign exchange available for the service of the loans. It is to be hoped that our experience in the past, together with helpful cooperation from the State Department and other Government agencies and the recognition on the part of the borrowers themselves that only this type of loan is desirable, will prevent another era of misguided long-term credit.

International trade must be carried on through the medium of credit, but credit can be extended only where creditors are assured of ultimate repayment. This repayment must be made not merely in such commodities as the debtor wishes to dispose of but in goods that can find foreign markets in free competition with other goods, either in the creditor country or elsewhere—or, in the final reckoning, by the shipment of hard money, the commodity that can be exchanged for other commodities the world over.

The worldwide breakdown of the credit structure that began with the failure of the Austrian Creditanstalt in 1931, followed by he German moratorium and the departure of Great Britain from the gold standard, dealt international trade a blow from which it never fully recovered. Among the reasons for the failure of commerce to revive was the unwillingness to extend private credit, due to the knowledge on the part of potential lenders that, if the transactions of the debtor countries left balances to be paid, these would be settled not in gold or in the currencies of the creditor countries but in "blocked" balances of debtor currencies that could not be disposed of or made available for the use of creditors.

We do not expect the millennium. The credit system may break down in the future as it has in the past, but if the morality of the debtor is high and a real effort is made to reestablish his credit, these breakdowns will result in only temporary interruptions. Much will depend on political courage and the willingness to make such sacrifices as must be made by any private debtor who wishes to remain honest and respected and to restore his credit. Neither the gold standard nor any other international financial system can offer a substitute for this basic requirement.

The metallic standard is more easily managed and less complicated, and requires fewer restrictions, than any other; and it is the only standard upon which private and governmental credit can permanently exist, with the possible exception of credit granted on very short term. The basic money underlying the world's monetary and credit system must be a commodity with an intrinsic value, and time has shown that gold is preeminently the commodity best suited to serve as money in the modern world.

As for credit, the world cannot be rebuilt on short-term credit alone. It cannot safely be rebuilt on government credit, which is too likely to be political and uneconomic. Credit must rest on the eventual ability of the debtor to liquidate the debt in money, as demonstrated to the satisfaction of the lender; and there is no reasonable measure of the safety-point to which credit can be extended but the money base.

The straightest, quickest and safest path to exchange stabilization and trade recovery is for those countries, at least, whose currencies are of an international character and upon which the world depends for the financing of foreign trade to reestablish their currencies on the gold standard as promptly as possible.

N. Y. Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following weekly firm changes:

Transfer of the Exchange membership of Christopher K. Coates to William V. Stockdale will be considered on Sept. 30. Both are partners in Beer & Co.

Harold C. Mayer has been appointed a member of the Board of Arbitration to fill the vacancy caused by the retirement of Jacob C. Stone.

Proposed transfer of the Exchange membership of Earl E. T. Smith to Andrew S. Lockie will be considered by the Exchange on Oct. 7. Mr. Lockie will continue as a partner in Spear & Leeds.

Transfer of the Exchange membership of Sylvan E. Weil to Harry A. Silvey will be considered on Oct. 7. It is understood that Mr. Silvey will act as an individual floor broker.

Transfer of the membership of the late C. Hyland Jones to Jerome Melniker will be considered on Oct. 7. Mr. Melniker will continue as a partner in Mervin Ash & Co.

J. Denison Sawyer, a partner in Eastman, Dillon & Co., died on Sept. 18.

The firm of T. Sloan Young & Co. dissolved as of Sept. 20. T. Sloan Young, who was on active duty with the U. S. Navy was reported lost at sea.

Frank H. Davis Dies

Frank H. Davis, partner in Riter & Co., 40 Wall Street, New York City, died at his home at the age of 65. During the first World War he was a financial field worker for the Civil Service Reform League, recruiting dollar-a-year men for government service. After the war he became associated with Dillon, Read & Co. In 1933 he helped in the organization of Riter & Co.

ABA Economic Policy Commission Sees Need For Stabilization Machinery

(Continued from page 1302)

resent a few creditor countries and many debtor countries.

The success of such an institution will depend not on the extent of its legal powers, but on the support given it by key countries. It was not so much lack of power that crippled the League of Nations, but lack of support. The British Commonwealth of Nations has no constitution and no legal powers. It is tied together by enlightened loyalty. Implications of compulsion and broad controls, regardless of how carefully veiled they may be, are not suitably unifying factors in international monetary matters. Free collaboration based on mutual advantages and built up by persuasion and friendly relationships offers the most promising approach.

Fourth. Credits granted by such an agency should be extended in accordance with proven standards, based on the merits of the individual case, and conditioned on adequate commitments by the debtor. They should be temporary in nature and made at a fair rate of interest. A system of quotas or shares in a pool which gives debtor countries the impression that they have a **right** to credits up to some amount is unsound in principle, and raises hopes that cannot be realized. Such a system would encourage the impression that credits received may not have to be liquidated, and would invite abuses of the facilities. Any formula which attempts to determine in advance the credit needs and credit worthiness of each country is impracticable.

It is to be hoped that general public discussion of the two plans will lead to fundamental modifications of the proposals in order to conform with the foregoing principles or will result in some alternative procedure for attaining the results so desirable for all.

In concluding this section it seems wise to emphasize again the fact that no institution no matter how well designed can work miracles—an illusion too often cherished. Basically stable money is possible only with stable national economies. Towards this goal the United States must lead the way. The first requisite for any genuine progress towards stabilization is a stable dollar free of all exchange restrictions, a dollar in which the world has full confidence. Regardless of the standards adopted, or the organization set up, some strong currency must in fact be the main steadying influence. So far as can now be foreseen the foundation currency must be the dollar.

The second step should be to establish definite rates between the dollar and the pound sterling—the two currencies in which the major part of world trade has been conducted for the past century. This step involves the whole problem of the reestablishment of the British monetary and trade position on a sound basis. We must assist in the solution of this problem if currency stability is to be achieved promptly. It is probably wiser to grapple frankly and directly with this question rather than merging and partly concealing it in a general international plan.

Once the values of the dollar and the pound are determined others will follow, for certain currencies are now stable in relation to the dollar or the pound, and other countries could gradually make the necessary adjustments. Where financial aid is needed it should be granted only after due consideration of the merits in each individual case. Each country must of necessity work out its monetary salvation largely by its own efforts. It cannot shift responsibility. In this process the presence of an institution as a mechanism to encourage consultation would be useful, but its function as a lender of money can only properly begin when a sound economic program has been put into effect.

Furthermore, it should again be emphasized that the United States cannot successfully promote international monetary stability without making determined efforts to put its own affairs in order by balancing its budget and checking inflationary influences. If our fiscal policies in time of peace continue to rest on the principle of deficit financing, all efforts to maintain international monetary stability will inevitably fail. Confidence in the dollar would be further enhanced by a clear cut policy making the dollar redeemable in gold, in foreign trade, with no deviation from the present value.

5. Lower Trade Barriers

It is often hard for citizens of the United States to realize the meaning of foreign trade for the world as a whole. Export trade for us is less than 10% of the country's total output. But overall figures are misleading as to the influence with respect to certain commodities in certain areas. Cotton exports from Southern States have often made the difference between prosperity and depression in those states. For certain manufacturing industries such as office appliances, sewing machines, and agricultural implements, foreign markets have likewise furnished important outlets. Imports, on the other hand, supplied us with many necessities as well as luxuries. In some cases—for example, certain specialties from Japan—imports have spelled trouble for a limited number of manufacturers. The American consumer pays a higher price for a number of articles because of high protective duties. In these specific ways we feel changes in trade and trade barriers.

But for many if not for most other countries foreign trade fills a much larger role. The following table indicates the estimated relation of export trade to total production of a number of countries:

Relation of Exports to Total Production of Different Countries

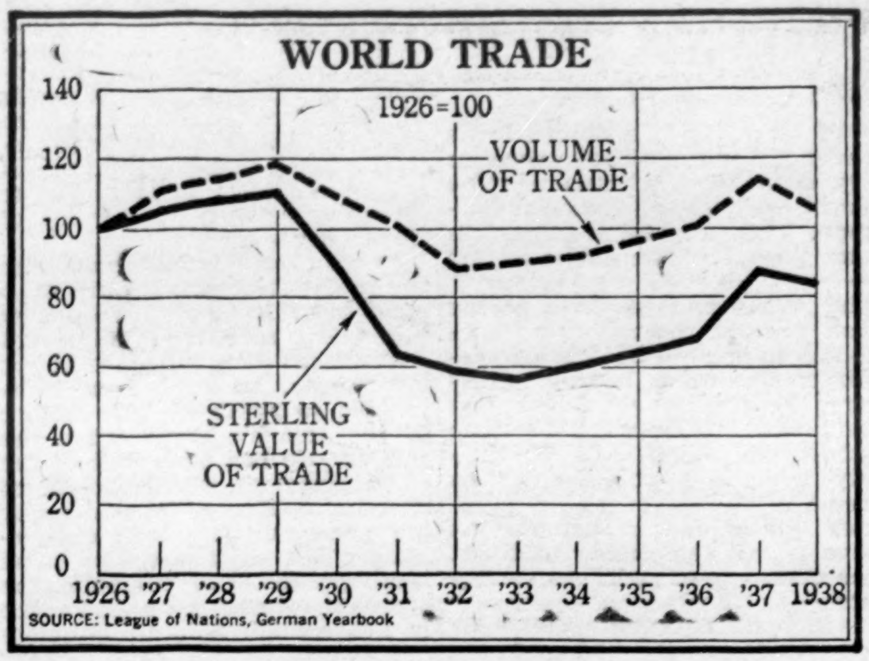
(Based on 1937-38-39 figures)
(In millions of dollars)

		Production	Exports	Per Cent
1	United States	45,630	3,190	6.9
2	Great Britain	11,800	2,380	20.1
3	Canada	2,700	1,040	38.5
4	New Zealand	520	230	44.2
5	Argentina	1,380	505	36.5
6	Brazil	1,740	350	20.0
7	Chile	470	160	34.0
8	Cuba	316	160	50.7
9	India	7,700	600	7.8
10	Japan	4,750	910	19.1
11	Malaya	320	240	75.0
12	Sweden	2,040	480	23.5
13	Belgium	2,250	810	36.0
14	Hungary	790	110	13.9
15	France	9,000	940	10.4
16	Denmark	1,100	330	30.0

Compiled from various official sources.

Some of these countries are very largely dependent on the export of a few commodities: Argentina on grains and meat products, Cuba on sugar, Chile on copper and nitrates, New Zealand on wool and dairy products. Fluctuations in these exports or in their prices may spell the difference between distress or prosperity. Similarly many countries rely largely for their standard of living on imported goods. These changes can be causes of peace and war—they are so vital.

Certainly one of the causes of the disordered internal condition of many countries in the '30s was the disorder of world trade, reflected in the accompanying diagram:



SOURCE: League of Nations, German Yearbook

The United States had a substantial share in this trade disorder, since the value of our purchases fell greatly, as the next table shows. For us these changes were fractional in relation to our total business. For the exporting countries they were often disastrous.

These are illustrations of the place which a broad flow of trade can take in world prosperity and in peace between nations. They exemplify also what may be the effect of trade changes and policies of the United States. Through the complex structure of world trade the United States lumbers like a well-meaning but often destructive giant.

We may distinguish two kinds of causes of trade disorders. One is cyclical—the changes which result from swings of the business cycle, such as those of 1932. These will be discussed later. The other is legal restrictions of tariffs, quotas, and clearing arrangements or other prohibitions and restraints. One of the worst and most arbitrary of these trade barriers is fluctuations in currency values which on one side may be the equivalent of imposing a high tariff duty. The number of devices for trade limitation grew apace in the period between the two wars. Each new restriction by one country led to new action by others. It was a vicious circle in which in order to safeguard its own production each country sought protection from the goods of others.

Value of Principal Commodities Imported Into The United States in 1929 and 1932

(In millions of dollars)

	1929	1932	Per Cent Decline
Silk, raw	427	114	73%
Coffee	302	137	55
Rubber, crude	241	33	86
Sugar	209	97	54
Paper and manufactures	163	94	42
Hides and skins	137	22	84
Wood pulp & pulp woods	103	52	50
Burlap and jute	95	22	77
Tin	92	16	83
Wool, raw	87	6	93
Oilseeds	79	16	80
Cocoa beans	49	20	59
Flax, hemp & manufactures	49	21	57
Cocoanut and palm oil	47	14	70
Nitrate	35	1	97
Total	2,115	665	69

Source: Statistical Abstract of the U. S.

The argument from the American point of view for freeing trade from these shackles has been effectively stated by Secretary Hull:

"There is a direct and unmistakable connection between business activity and the volume of exports. Our Cotton Belt, our Tobacco Belt, our Wheat Belt, our corn-hog industry, our fruit and vegetable growers, our lumber producers, our machine manufacturers and many other branches of our production cannot prosper unless they have adequate foreign markets for their surplus output. Deprive them of such markets, and their purchasing power shrinks, and with it the whole nation's purchasing power declines. . . .

"The experience of the two decades which elapsed between the end of the World War and the outbreak of a new war in Europe, has brought out in sharp relief the validity of two basic propositions. The first of these is that our nation, and every nation, can enjoy sustained prosperity only in a world which is at peace.

"The second is that a peaceful world is possible only when there exists for it a solid economic foundation, an indispensable part of which is active and mutually beneficial trade among the nations."

Secretary Hull has also promoted a means by which the country may play its part in a gradual reduction of the most difficult trade barriers, in the form of reciprocal trade agreements. Under this mechanism tariff negotiations are removed one step from the political bargains which usually mean steadily rising tariffs, but the administration of the Act has been periodically examined in considerable detail by Congress with a view to satisfying itself that there have been no injustices or undue hardships.

The United States has concluded agreements with twenty-seven foreign countries. These countries, in the order in which the agreements were signed, are: Cuba, Brazil, Belgium and Luxembourg, Haiti, Sweden, Colombia, Canada, Honduras, the Netherlands, Switzerland, Nicaragua,* Guatemala, France, Finland, Costa Rica, El Salvador, Czechoslovakia,** Ecuador, the United Kingdom of Great Britain and Northern Ireland, Turkey, Venezuela, Argentina, Peru, Uruguay, Mexico, and Iran.

About 65% of the total foreign trade of the United States is carried on with the countries with which reciprocal trade agreements have been concluded.

The mechanism has thus been thoroughly tried. No revolutionary changes in this country's tariffs have been produced, but in many important respects the interchange of commodities with other countries has been made easier, and—perhaps more important still—the long trend towards more and higher tariffs has been stopped.

In dealing with tariffs one point to remember is that particular groups who feel themselves penalized are more articulate than the consumers who reap the broad benefits of tariff easements, or even than the producer who gains through the relaxation of trade barriers abroad.

Apart from the Hull reciprocal trade agreement policy there is no outstanding single movement here or abroad towards freer trade. It is rather a matter of constant study, of constant alertness, and the use of every opportunity to negotiate reduction in impediments to trade. These impediments may of course exist in the form of monopolies and other private regulatory agreements as well as in the field of government controls.

In the effort to break down trade barriers we shall encounter conditions under which some countries must restrict their imports to conserve their supplies of foreign exchange, and so be able to maintain a sound balance of payments. It may be that additional markets can somewhere be opened up for the products of some such countries. It may be new export products can be found. War-time changes in production will greatly affect the picture. For example, the United States may import less rubber and silk after the war, but a threatened exhaustion of oil and certain other mineral resources in this country may lead to increased imports in these latter categories, and there will be many other shifts in the channels and types of trade between markets.

The freeing of trade and thereby increasing its volume can be greatly aided by consistent effort by men of good will. It is possible that international organizations for conducting such studies and assisting in negotiations would be found feasible and helpful.

6. Reducing the Swings of the Trade Cycle

In the previous section figures were given showing the wide variation in the volume of imports into the United States of certain raw materials at different periods of the business cycle. In countries where a single export is a large part of their livelihood the effects of such variations are severe. It is difficult for any country to adjust itself to such blows, especially when the prices fall as volume of export diminishes, and credit becomes less freely available.

The trade or business cycle is a long-familiar phenomenon. Its swings have recently been more severe in the United States than in most other countries and in general more severe since World War I than before. When such swings bring depressions like 1921 and 1932 they become major problems both for domestic and foreign policy. The point to be made here is simply that huge swings of the cycle, with their great booms and great depressions, are as damaging to the maintenance of a sound structure of world trade as they are to any domestic economy. When aggravated they become one of the obstacles which impede enterprise and progress all over the world. For where there is great measure of unemployment and uncertainty, countries are far more likely to shirk political obligations—no matter how wise and essential—and to be shortsighted and indifferent in their economic dealings with other countries. On the other hand, if men and women find it relatively easy to have work and feel relatively secure in their employment, it is easier to negotiate the necessary international political arrangements and bring countries together in a many-sided cooperative economic effort.

Although these trade cycle swings may lie so deep in the vagaries of human psychology that they can never be eradicated, it should not be beyond our ingenuity to temper their destructiveness.

7. Making Credit and Capital Available

Enterprise is held back in many parts of the world by lack of funds. The record makes it clear that improvement in the standard of living has taken place where and when capital, in the form of machinery and equipment, multiplies the fruits of man's labors. But—and here is the great question mark—capital to be productive must be wisely used, and investment calls for an investor as well as an opportunity for investment.

The hasty answer that many are making today—"let the government do it"—needs consideration and analysis. There is grave doubt whether the American people after this war, saddled with a huge debt, will be ready to approve government lending of large sums of money in various parts of the world to improve backward areas.

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*The reciprocal duty concessions and certain provisions of this agreement ceased to be effective March 10, 1938.

**The operation of this agreement was suspended April 22, 1939.

Thus we should examine also the private resources available for such use. Despite all the uncertainties of the period between wars a very substantial amount of trade has been financed privately. British and American banks have been prepared to finance essential trade movements. Such short-term credit has been freely available for the needs of genuine trade where the buyer of the goods could pay when the goods reached his hands. The banks have made losses as well as profits, and have learned "how not to" as well as "how to." This kind of short-term private credit will continue to be available promptly and in ample amounts.

Another kind of funds has also been available in fair amounts. American and other business concerns, even during this difficult period, have put substantial amounts of capital into foreign countries where the opportunity was promising and where they could stay with their undertakings and see that the capital was productively used. If the steps outlined previously in this report are taken more funds of this sort will be available.

There are dangers that attend the flow of business funds abroad that arise from deep-seated political reactions. A powerful foreign interest in any country is a natural target for the politician who finds a popular response to the cry that the foreign corporation is exploiting the country. The consequences are discriminatory taxes and regulations and restrictions as to who can be employed and how, how much profits can be exported, etc., etc. Occasionally the political feeling goes to the point of expropriation as in the case of the oil companies in Mexico. Such treatment does not encourage foreign investment. On the other side, corporations have at times obtained special favors and a privileged status which in the long run is bound to arouse hostility.

The net of it is that a much larger flow of American, British and other capital will go to all parts of the world if conditions are made attractive. American business is prepared to go with its capital, to provide know-how as well as funds, and as fully as possible to work with the people of other countries. One method of financing that has been notably successful in certain instances is the joint ownership method, where an important share of the capital is raised locally.

The problem is not so much supplying a new mechanism as removing obstacles which hold back foreign investment. "It is often argued," states a report on the Transition from War to Peace Economy, recently issued by the League of Nations Delegation on Economic Depressions, "that some radical change in financial mechanisms will be required, and this indeed may be true." "But," continues the report: "new financial mechanisms may well increase the intensity of depressions later if they involve the substitution of government lending for equity or direct investment. There is a real danger, in our opinion, of attention being so concentrated on the satisfaction of immediate and pressing capital needs that subsequent effects will be ignored. To pump capital into stricken areas by the most perfect pumping mechanisms will benefit no one in the long run if the strain imposed by the reverse movement later, when amortization and interest payments exceed new lending, leads to a breakdown similar to that of 1929. It is far wiser to open every possible channel of foreign investment and to control the flow, giving preference to real investment over loans."

A significant development of recent months in a flow of private capital from this country to Mexico and to other Latin American countries where the political atmosphere of late has been more favorable. Capital is by nature adventurous and will wander far if given promising opportunities.

This does not mean that in any nearby future huge foreign loans like those of the '20s for Europe and for Latin America can be floated in New York and London. There will have to be much better assurance both as to the general condition of the world economy and as to the way the money will be used. But some foreign security issues are not impossible if even the minimum assurances can be given. Recent movements on the New York Stock Exchange show that not all venture money has disappeared.

Given a favoring atmosphere, private capital will be ready to do much of the work which needs to be done. We should not, however, dismiss wholly the need for some use of government credit. There will be situations in some countries where the conditions cannot be made wholly favorable for private capital and where funds for reconstruction or construction are badly needed and likely to be used wisely. Then some form of government credit may be desirable for both economic and political reasons. One pattern for such loans might be the loans jointly guaranteed under the League of Nations after the last war. The experience of the Export-Import Bank illustrates another method of meeting this situation. That Bank has made commitments since the start of operations in February, 1934 to June 1, 1943 amounting to $1,143,000,000; total disbursements have been $396,000,000 of which $205,000,000 have been repaid. The bulk of these commitments and disbursements have been related to inter-American trade, and most loans have been for self-liquidating projects. In most cases private funds have been used under the guaranty of the Export-Import Bank and available banking facilities have been utilized. Its loans have been made on the whole sparingly and carefully and with every effort to strike a proper bargain. Utilized in this way modest amounts of government credit may be a valuable supplement to private investment. The danger to be guarded against is that excessive government lending will drive out the private enterprise which is the best hope for continuing progress.

But whether the loans are government loans or private loans they should be good loans, with reasonable promise of repayment; and not too much. If these conditions are fulfilled a good deal of private credit will be found available. There is no use making bad loans; such loans benefit no one.

Carrying Out the Program

The size and scope and almost infinite ramifications of the problems we have been discussing must be evident from the foregoing. They involve politics, economics, psychology in all sorts of combinations and degrees. How make progress in such a maze?

No single simple formula will do. Nor will any complicated and elaborate scheme. For the first essential is the understanding and agreement of many peoples. There must not only be acceptance at the start but continuous and effective support for a long period.

We can agree on some suggestions. First, these international problems must be made somebody's business. Able men, qualified by understanding and by experience in affairs, must be set to work on them. Groups of such men from different nations must meet together and discuss them.

The conclusions reached by these men must also be discussed by the chiefs of state among themselves, just as Mr. Roosevelt and Mr. Churchill have discussed military plans. Some discussions have already begun in the areas of relief, of agriculture, of money. This is sound procedure.

Second, there must be established organizations engaged continuously in analyzing these difficult questions and seeking to do something about them. Fortunately we are not wholly without experience in such organizations. There are some 20 years' operations of the League of Nations, and the World Court. Central banks have been important agencies for international collaboration, both directly and through the Bank for International Settlements which has accumulated over 12 years of experience. There are other organizations like the International Chamber of Commerce, the International Institute of Agriculture, and the International Labor Office. All of these have tangible achievements to their credit.

Something of the flexibility of possible organizations is suggested in Mr. Churchill's proposal for a European Council and an Asiatic Council and for sub-organizations for smaller groups of countries. He stated this as follows in his March 21, 1943, address:

"One can imagine that under a world institution embodying or representing the United Nations, and some day all nations, there should come into being a Council of Europe and a Council of Asia. . . . It would therefore seem to me at any rate worthy of patient study that side by side with the great powers there should be a number of groupings of states or confederations which would express themselves through their own chosen representatives, the whole making a council of great states and groups of states."

He further discusses the very delicate subject of the preservation of the sovereignty of states along with this joint organization:

"It is my earnest hope, though I can hardly expect to see it fulfilled in my lifetime, that we shall achieve the largest common measure of the integrated life of Europe that is possible without destroying the individual characteristics and traditions of its many ancient and historic races."

In these quotations there appear the two essential principles of adaptation of international organizations to each purpose and the corresponding principle of respecting the rights, traditions, and nationalism of the participating states.

Such discussions suggest the desirability of avoiding too ambitious and too comprehensive programs, but of moving forward wherever and whenever opportunity serves, of adapting organizations to all the very human difficulties which such enterprises will encounter. The solutions can hardly be absolute and global. The words "commission" and "council" are better descriptions of the nature of organization than the word "authority."

The nature of the problem was discussed recently by Sir Norman Angel in the following terms:

"This fact—that many different nations have to agree to any plan adopted—reminds us that our test of a 'good' plan must not be merely that which would be best for the welfare of mankind if only nations had the political wisdom to accept it and to work it. It is well to remember the remark of Henri IV of France, who, when a certain blueprint for world peace was submitted to him, said, 'It is perfect, without a blemish of any kind so far as I can see, except perhaps one—namely, that no earthly prince would ever agree to it.' Democracies are just as difficult to persuade as princes, and, unhappily, just as unstable at times in their convictions."

All of which emphasizes the need for beginning now the discussion of plans and organizations and reaching some agreements among the United Nations before the day of peace arrives.

With the Tide

Lest we be discouraged by the all-too-formidable obstacles, we may well conclude by returning to the point made at the beginning of this report—that there exist in the world natural and powerful regenerative impulses capable, given encouragement and reasonable freedom to operate, of bringing about the recovery for which we strive. The problem is not the paternalistic one of dictating a reshaping of the affairs of the world; it is rather to strike off shackles to release the abundant energies of able men and women in all countries that each group may build in its own areas and with patterns of its own choosing.

The world demonstrated in the century of comparative peace between Waterloo and July 1914 what can be done when these energies are released. The industrial revolution, which transformed the lot of mankind in the western world during this period, is not over. After Europe and America, Japan discovered it—then Russia and China. Now, with the tremendous forces set in motion by the war, the speeding of communications, the opening of new areas to transportation, the development of new contacts, other countries little changed in economic status since the Middle Ages are catching the contagion. Even in highly industrialized countries like the United States the industrial revolution marches on, its pace accelerated by new miracles of scientific discovery and technological advance. Though the new methods and processes are used now for destructive purposes, they will be available for human betterment in time of peace.

Thus the current is with us. The natural impulse is forward. Our task is to unlock the gates and set free the pent-up forces of enterprise, the restless urge of the people for a better life.

Summary

With sentiment of the American people overwhelmingly for the principle of collaboration with other nations in dealing with post-war problems, we need to be making plans now for putting this principle into effect. The coming of peace must not find us unprepared. Bankers, in particular, have responsibility for studying these problems and equipping themselves for leadership in their communities in support of wise policies.

The program we seek must not be too ambitious or attempt too much; grandiose plans are not likely to succeed, either of adoption or execution. Real progress must be founded upon the regenerative efforts of individual initiative and enterprise. These efforts can be aided through government cooperation and even at times by government participation, but the primary task is one of releasing the natural forces of recovery. People must be helped to help themselves.

To remove obstacles and set free the pent-up forces of enterprise calls for action towards seven essential objectives:

1. **Relief**—Temporary aid in the form of food and some minimum of raw materials and tools for ravaged nations to avert starvation and help restart industry; to be supplied through some form of lend-lease.

2. **Prompt Peace**—Early determination of as many as possible of the main peace conditions so that governments and private individuals can make plans.

3. **Collective Security** — Establishment of some form of organization or guarantee to prevent war, thus lessening the fear of new conflicts, diminishing the incentive towards extreme nationalism, and avoiding the waste of resources in armament competition.

4. **Monetary Stability**—Collaboration between nations to restore currency stability, so that trade and enterprise can count upon the value of the money they use.

5. **Lower Trade Barriers**—With all nations to some extent dependent upon foreign trade and many nations largely so, efforts to broaden international commerce are necessarily part of any program for revival of internal economies.

6. **Reducing the Swings of the Business Cycle**—Because of the damaging effects of alternating booms and depressions upon all countries, particularly those dependent upon a few primary products, efforts to modify such swings are essential to an enduring post-war recovery.

7. **Making Credit and Capital Available** — Given a reasonable degree of security, private capital is ready to supply much of the international short-term financing and long-term investment needed. Some use of government credit may be necessary; but international credits should be made for sound purposes, in reasonable amounts and with expectation of repayment.

For carrying out the program no single simple formula can be laid down, nor will any complicated elaborate scheme suffice. The problem is primarily one of understanding and of acceptance of the need for agreement among many peoples; of moving forward wherever and whenever opportunity offers, of tempering idealism with realism, and of adapting plans and organizations to the practical difficulties.

The world learned in the rise of political democracy and the development of the free enterprise system what can be done when the natural energies of mankind are unchained. Great as these achievements have been, still greater opportunities lie ahead. The boundaries of human inventiveness and aspirations for progress are as yet unchartered. Our task is to call forth anew those energies that have been so productive in the past. Success in the program requires that the United States assume its full share of leadership with other great powers in creating the conditions that will bring about the desired results.

The following are the members of the ABA Economic Policy Commission:

W. Randolph Burgess, Vice-Chairman of Board of National City Bank, New York, N. Y., Chairman.

Leonard P. Ayres, Vice-President Cleveland Trust Co., Cleveland, Ohio, Vice-Chairman.

Winthrop W. Aldrich, Chairman of Board of The Chase National Bank, New York, N. Y.

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John C. Wright, Vice-President and Cashier American National Bank & Trust Co., Chicago, Ill.

Dr. Paul F. Cadman, 22 East 40th Street, New York, N. Y., Secretary.

"Our Reporter On Governments"

By S. F. PORTER

The way the bond dealers in Wall Street are figuring it now, the offering to commercial banks will be made early next week, now that the drive is closing Sunday night. . . . Say around October 4 or 5. . . . The books on the bank drive should be closed in two days, indicating a market will be quoted on the 2s of 1953/51 and the 2½s by the end of next week. . . . Opening price looked for at 100.8 or thereabouts. . . . Premium of ⅜ to ½ on the 2s looked for toward the end of October. . . . Premium of as high as ¾ forecast before 1943 is over and some dealers even are talking 101 for the new 2s. . . . Surely, this is guesswork! . . . It probably doesn't even deserve this much space at this stage of the game. . . . But it is important, if not as an accurate barometer of prices, then as a sign to the psychology of experts these days. . . . Which is, you can see, exceedingly optimistic. . . .

The best information remains consistent with predictions made here during the last several weeks. . . . An oversubscription of two billions or so. . . . Maybe a total around $18,000,000-000. . . . No more loan drives this year, to the public or the banks, with the exception, of course, of the minor technical flotations now and then. . . . Bills and refundings of certificates. . . . A good, healthy market in an advancing trend after the technical problems of initial trading in the new issues have been solved. . . .

You've bought your bonds, we assume. . . . You've picked up the 2s or the 2½s or perhaps some certificates if those fit your needs. . . . If you're a banker, you're waiting now for your chance and you have your cash position all set for subscribing. . . . And if you're a trader, you're eagerly anticipating one of the best markets in many a month. . . .

So the story of the drive is almost over. . . . All that remains to be done may be placed under the statistical classification and that can be told in a few sentences. . . .

It has been a successful financing—marvelously so. . . . And as for the lagging of individual subscriptions, well, that too was foretold in this space and was explained. . . . Somehow, the voluntary method of financing works best only with the people who need the lesson least. . . . The war worker whose spending is the most dangerous factor in our economy today seems to slip by under a voluntary system. . . . But as for forced lending, that is a subject better written about a few weeks or months from now. . . .

NEXT SPRING?

The story is around that we may get no more bond drives until next April! . . . The Treasury will have the cash it needs for this year in another few days. . . . No question about its going beyond its money balance between now and the end of 1943 unless spending reaches a level not even dreamed of at this time. . . .

So that leads us into 1944. . . . And the gossip on this point is that if a new tax bill is put through Congress before January 1, as is indicated despite the Washington reports of considerable confusion and bickering, the Treasury may get enough from its pay-as-you-go collections to keep it in funds until the spring. . . .

April does sound tremendously optimistic when we're finishing up September. . . . But there's no doubt in the minds of any observer that we'll have a higher tax burden to carry during 1944. . . . And if the Treasury does get another $5,000,000,000 to $7,000,000,000 through taxes, in addition to its present record-high collections, borrowing in the amounts we've seen in 1943 just won't be necessary. . . . And probably won't be possible, either. . . .

So while April may be too far off, if you think in terms of a "free market" for four to five months, you'll have the idea. . . . And you don't need any elaboration to recognize the probable influence of that on the market's level. . . . Especially when bankers and large investors around the country begin to think the same way. . . .

FREE RIDING

Check around the banks reveals that virtually all of them—if not all—are sticking close to the Federal Reserve Banks' request that they discourage heavy borrowing by individuals out to take a free ride on this loan. . . . Margins of 10% are the rule. . . . Meaning a would-be subscriber has had to put up $1,000 for every $10,000 purchase—which eliminates many of them. . . . Also banks are charging same rate for borrowing as bonds bear. . . . 2% on a 2% issue, 2½% on the 2½s, eliminating gamblers who thought in terms of borrowing at 1% to hold 2% bonds and make 1% for the length of their holding. . . . Brokerage houses also have been extremely careful on speculators and New York Stock Exchange member firms have been following regulation on purchase to discourage any speculator without a large cash balance. . . .

Surely, some have gotten by. . . . And those who have obtained better-than-customary terms are among the informed. . . . So unwise selling at an uncomfortable time may not be looked for from them. . . .

This observer continues as always to defend speculation to some extent in Government bonds. . . . It does add color to the market, it does bring in investors who otherwise might not be aware of the values of these securities, it does give a life and activity to the market which is helpful and not harmful. . . . But since the Treasury is afraid of being embarrassed at some future moment by heavy selling, free riding or its many variations will remain the property of the bigger investors. . . . The "little fellow" just can't get in on a large enough scale to attract him. . . .

INSIDE THE MARKET

Guesses are the bank offering will reach the $4,000,000,000 mark, despite fears of bankers to the contrary. . . . Divided equally between the 2s and certificates. . . . The way things shape up now, this $4,000,000,000 may not be nearly enough for the banks, especially the large ones, and they'll be in the market during October for more of the 2s. . . .

Excess reserves position of the banks easier today than in almost a year. . . . Banks have been losing deposits against which they must keep reserves, have been gaining deposits against which they need keep no reserves. . . . Result is they'll be more than willing to build up their positions through subscribing to the 2s and through entering the open market. . . .

Money situation of banks may tighten up a bit at the end of the year when Secretary Morgenthau starts drawing down on his war loan accounts but until then, way seems clear and bright. . . .

Tax-exempts acting so beautifully it almost is frightening. . . . Long-term issues—the 2⅞s at 112.15, the 2¾s of 1959 at 112.6, the 2¾s of 1963 at 112.2 and the 2¾s of 1965 at 112.14—are among the most attractive securities on the board. . . . These are not yet in line with prices of taxables and with indicated demand over the coming months. . . .

Shorter-term tax-exempts are in line, however. . . . They're high enough now and their rises in the future will be dependent on a strong Government market. . . .

There's one major switch in the Government market these days which is so far ahead of all other technical suggestions that there's no comparison. . . . And that switch is—out of the shorter-term tax-exempts and into the long-terms or out of the shorter-term exempts and into the longer taxables. . . . No question about the better value of the long-term exempts. . . .

You might consider switching from the shorts to the longs on a temporary basis and then returning to your original position later in the year. . . .

During August, the Treasury sold bonds again for the accounts of funds under its supervision. . . . Sales amounted to $15,813-000. . . . And beyond doubt, funds have been put back into the new loan. . . .

Stockholder Relations Stressed

Stockholders relations is a field where extensive public relations work is needed, according to Verne Burnett, Vice-President in charge of public and stockholders relations for General Foods Corporation.

Probably 12 to 14 million men, women, and children in the United States today own stock in some business enterprise. This is a large gain since 1929, when only about 9,000,000 Americans owned stock.

This rapid growth in stock ownership, Mr. Burnett believes, presents many and new problems for company management, problems that must be solved by public relations.

"Let the stockholders speak!" urges Mr. Burnett in his latest book, "You and Your Public," recently published by Harper & Brothers. And to get stockholders to tell what they like and do not like about a company, Mr. Burnett would make a survey of stockholders.

"The questions," he writes, "will vary widely with different companies. But here are some things those charged with stockholders relations would want to know immediately about the company:

"Are the company's reports to stockholders too long, too short, or about right?

"Should there be more, less, or about the present volume of charts, tables, pictures, information on products, labor policies, research, inventories, relations of the company with the Government and national and world affairs? Is there enough told about the outlook?

"Are the usual reports sufficiently clear? Is the type legible? What kind of material should be stressed, reduced, or eliminated? How much should be spent on each copy of an annual report—5, 10, 15 or 25 cents? (Stockholders often think the booklets cost more than they actually do.)

"Are dividends as much as could reasonably be expected in view of the company's current needs or hazards? Or should dividends be increased and, if so, by what percentage? You could ask whether dividends should be reduced under certain conditions, and you might get some interesting reactions, although most investors naturally want to keep the dividends as high as possible.

"Which of the company's products are stockholders using? (List products for checking.) Do stockholders recommend the products to friends, dealers, or others?

"Other questions could bring out answers to the attitude of stockholders regarding the management, its policies and practices; regarding prices, advertising and employee relations. You can learn what questions the stockholder would like to bring up if he were present at the next annual meeting.

"Once a year a questionnaire should be included in a mailing to all stockholders. Old grievances die down and new ones crop up rather suddenly. Watch shifting opinion with an eagle eye.

"It isn't advisable for a management to yield to every whim of its stockholders. Sometimes you find there is a complete lack of understanding, and it is your job to present the facts so that proper conclusions will be drawn. But often there are executive policies and practices which need revision, or you find that unnecessary irritants can and should be removed.

"Stockholders own your company, and if they are sufficiently angered they will use their power to hamper the enterprise. If they are thoroughly sold on the company, they can become crusaders or at least useful voluntary salesmen, with telling benefits. By understanding your stockholders all the time, you are in a position to frame an intelligent program which will more than justify your salary.

"More and more the feeling of social consciousness has developed among stockholders in recent years. Many stockholders nowadays pay much attention to factors other than sales, earnings and dividends. They want sound labor relations; an able, ethical management; honest products; up-to-date research laboratories; good relations with customers, dealers and government. Stockholders know that such factors are right—and profitable.

Scott Of Tool Industry Urges Changes In Renegotiation Law

An amendment to the renegotiation law so as to abandon the present basis for profits and its administrative features is being urged upon Congress by the machine tool industry. This was brought out on Sept. 20 by James V. Scott, President of the Van Norman Machine Tool Co., Springfield, Mass., in a talk before the meeting in New York of the Controllers Institute of America.

The following are excerpts from Mr. Scott's address:

"Taxes are based on a mathematical formula. But under renegotiation the additional amount to be returned to the Government is purely and solely a matter of the judgment of the Price Adjustment Boards. In short, renegotiation is a matter of taxation by men, rather than taxation by law. No matter how sincere the men administering the law may be, it places in their hands the power to pronounce a sentence of life or death over a company or an industry. This is not the kind of a law which we should have in a democracy.

"Therefore the machine tool industry is now urging upon Congress an amendment to the renegotiation law. In amending the law, the following principles are suggested:

1. Renegotiation on the basis of profits before taxes should be abandoned. Agreements should be made wholly in the light of profits after taxes. Any other approach brings disagreement and demands that are inequitable and unjust.

2. The extent to which a company's product is expendable in the war effort should be taken into consideration in determining the amount of the company's earnings to be recovered by the Government through renegotiation. In short, due allowance should be made for the peacetime use inherent in the equipment after the nation's war needs have been met.

3. Companies which have saturated their post-war markets by reason of their wartime production should be permitted to retain out of their earnings the reserves necessary to maintain their service to the industries dependent upon machines already installed; to finance the engineering research that leads to new developments, and to finance those developments through the stages of experiment to production and use. Only by this means can American machine tool builders maintain employment and restore their market position in the post-war period.

"The post-war market picture of the machine tool industry, is, without question, one of the toughest in the country. The law that has hurt our industry today may hurt any industry tomorrow, depending on the opinions and the judgment of the men on Price Adjustment Boards. I believe that they are sincerely trying to do the best job they know how, in the light of the policies laid down by the Government. But it is mighty bad law, it seems to me, to create a set-up under which the just administration of a law depends upon the character and intelligence of the men who administer it, rather than the law itself.

"There have been times in the history of this country when men have used positions of power for political purposes or personal advantage. Imagine what might happen if the power granted the personnel of the Price Adjustment Boards should fall into the hands of unprincipled people!

"May I suggest therefore that you do all you can to convince Congressmen and Senators of the dangerous nature of this law, and to urge its amendment?"

Balkan Peace Offers Reported

Reports, some clearly of German origin, circulated in Madrid, Spain, that representatives of the Rumanian Government are negotiating with Allied representatives at Ankara, Turkey, for an armistice, said an Associated Press News account from Madrid on Sept. 25 appearing in the New York "Journal American," which had the following to say regarding the reported peace movements:

The Rumanians first attempted, the reports said, to omit the Russians and negotiate only with the Western Powers, but failed in this.

(CBS recorded a London broadcast of a report from Istanbul "that a Bulgarian envoy is expected there soon to seek a basis for Turkish intervention with the Allies on Bulgaria's behalf.)

The reports said further that near-panic was aroused among Budapest Government and military leaders when they heard of the Rumanian armistice feelers and that Hungarian contacts with United Nations' representatives may have been made also.

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"What the Petroleum Industry Offers . . Today"; Gold Stocks For Peace

An interesting circular entitled "What the Petroleum Industry Offers the Investor Today" has been prepared by Distributors Group, Inc., 63 Wall Street, New York City, discussing the effects of the war upon the petroleum industry as well as the future of the industry as a producer of a basic raw material for the chemical industry. Copies of this circular may be had upon request from Distributors Group, Inc.

Also available is a memorandum on the "peace" outlook for gold shares which Distributors Group, Inc., believes offer attractive possibilities. Copies of this memorandum may also be obtained from the firm upon request.

The Future Of Interest Rates

With Special Reference To The Treasury's Borrowing Policy

In his article which appeared in the "Chronicle" of Aug. 26, captioned as above, Benjamin M. Anderson, Ph.D., Professor of Economics at the University of California and former economist of the Chase National Bank of the City of New York, presented an extremely profound analysis of the probable future trend of interest rates. The author, who is recognized as a leading international authority on fiscal and monetary matters, discussed this important subject objectively and in light of the fundamental factors which inevitably must govern the movement of interest rates.

Since publication of the article, a large number of comments have been received regarding the views and conclusions drawn by this eminent authority on the subject. Some of the letters were given in these columns on Sept. 2, Sept. 9 and Sept. 16; more are given below:

L. EDMUND ZACHER,
President, The Travelers Insurance Co.

I agree with Dr. Anderson that the long-term rate should be more liberal on Government securities, but how to accomplish this with a large volume outstanding at lower rates, I haven't had time to study. In his discussion he does not mention the fact that there is hardly any private lending going on in long term securities. Most of these loans go to the Government at rates that investors would be glad to receive, but they are obliged to furnish the Government with money with which to make this investment. In other words, it monopolizes the long-term investment values as well as the short term banking operations.

L. Edmund Zacher

HON. EDWARD MARTIN,
Governor of Pennsylvania

I am heartily in accord with Dr. Anderson's thought that the accumulation of capital by individual, by corporate and by public thrift must once again become the primary policy of our Government if our finances are to be re-established on a permanently sound basis. We are, however, in a period of emergency arising as a result of the war. Our first consideration must be to leave no stone unturned to win it. This, of course, includes the necessary financing of the war. Consequently, while Dr. Anderson's argument in favor of an increase in the rate of interest seems convincing, it is a question whether it would be wise to attempt to put such an increase into effect until we can more nearly determine what the size of the national debt will ultimately be. It seems reasonably certain that we shall have a debt somewhere between two hundred billion and three hundred billion dollars.

Hon. Edw. Martin

A large majority of our citizens have purchased Government securities to help finance the war and they have been given the assurance that this is the safest investment they can make. Repudiation is unthinkable and our Government must keep faith with its citizens. If we assume a national debt of two hundred and fifty billion dollars and an increase in the average interest rate on the Government debt of only one-half of 1%, that would mean an increase in the Government's yearly interest charges of one billion, two hundred and fifty million dollars. Therefore, it seems to me that the solvency of our Government requires, for the present at least, a rate of interest low enough to offer every reasonable assurance that the debt can be serviced and carried. Since the revenue with which to service the debt and pay the interest must be derived from taxes, it is obviously to the taxpayers' advantage that the interest charges be not increased at the present time.

It may well be that following the war a refunding of the present indebtedness, particularly the short-term floating debt, on a long-term basis and at a somewhat higher interest rate may be not only advisable but necessary.

I am particularly interested in Dr. Anderson's suggestion that banks holding long dated governments be permitted to subscribe to new higher yield issues which may be issued at some time in the future by turning their old bonds in exchange. Such a step would tend to prevent the situation which prevailed at the end of the first World War, where long-term Government issues depreciated materially in value.

Because of the effort my Administration is making here in Pennsylvania to practice thrift in our State Government and to set an example to our people, Dr. Anderson's presentation is of particular interest to me.

WILLIAM L. DE BOST
President, Union Dime Savings Bank, New York City

I have read the article "The Future of Interest Rates," by Dr. Benjamin M. Anderson and have had one of my associates who is familiar with our investments, do so and we have found it very interesting.

We are wondering whether Dr. Anderson's ideas are practical and if carried out and the Government offers a higher interest rate, what would happen to all the billions of E F and G bonds which are all payable on demand. As a matter of fact I have always wondered whether the Government is not building up by the sale of so many of these demand loans something that may later on cause serious trouble.

William L. De Bost

Interesting Situations

Loewi & Co., 225 East Mason Street, Milwaukee, Wis. have issued a circular discussing four situations which they feel offer interesting possibilities at the present time. Copies of this circular may be obtained from the firm upon request.

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The mutual fund managers are scrutinizing the whole field of securities for favorable post-war opportunities. They are carefully reviewing present portfolios and revising them to conform with realistic appraisals of the outlook. Taxes, post-war backlogs, new products, inflation and a host of other factors are being carefully weighed in the light of their influence on particular industries and particular companies.

All this activity is making itself evident in both the publications and the portfolios of the investment companies. This week, for example, Calvin Bullock's **Bulletin** is devoted to a discussion of post-war cushions in the earning power of various "war stocks" as a result of the carry-back provisions of the 1942 Revenue Act. National Securities & Research Corp. has a letter out on International Series pointing to the favorable outlook for selected South American and European investments. Also, in attractive booklet form, is a reprint of this sponsor's series of articles on "Post-War Backlogs and Business" which appeared serially in **Investment Timing.**

Keystone Corp.'s **Keynotes** discusses the "Outlook for Industrial Production" and concludes that a gradual transition from war to peace will occur—a transition in which careful selection and continuous supervision of investments will "pay dividends."

The latest issue of **Investment Timing** has a convincing article on "Gold Stocks in Distinctive Position," pointing out that: "The stocks of major gold mining companies now derive a strong appeal from the prospect of peace, which should permit the resumption of profitable operations—encouraged by the possibility of an increase in the price of gold."

An even more striking presentation of the outlook for the Gold Stocks is embodied in a new folder by Distributors Group on the Mining Shares of Group Securities, Inc. Entitled, "Why Gold Stocks Are Good 'Peace' Investments," the folder reveals that as of Sept. 23, 1943, the investments of Mining Shares were concentrated wholly in leading American and Canadian gold stocks. Here is tangible evidence of the positive steps being taken by one investment company management to prepare for that "Great Day."

* * *

The following excerpts are from Lord, Abbett's **Union Dealer** entitled, "Mutual Funds Are Delivering."

"Open-end mutual funds have been in operation a long time now. Most sponsors active today have behind them more than a decade of experience—and the past decade, to go back no further, has been one of trial and test for the investing profession.

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"These years of experience, during which organizations have been welded together and methods of operation developed, are clearly benefiting investors in the funds—and the benefit seems to be increasingly pronounced year after year.

"This benefit is not something intangible; it is a matter of dollars and cents and figures. Over the period March 31-August 31, 1943 the Dow-Jones Industrial Average made practically no net gain or loss, beginning the period at 136.57 and ending it at 136.62.

"In the same 'neutral' period, out of 40 mutual funds tabulated, 35 showed plus gains, ranging from a nominal amount to as high as 15.7%. In contrast to this high gain figure, the greatest loss shown by any of the 40 funds was only 4.7%. Twenty of the 40 funds showed a gain equal to, or more than 4.7%.

"The UNION funds made a useful contribution to this showing for the mutual fund industry, furnishing three of the first four funds."

* * *

Walter L. Morgan, President of Wellington Fund, has announced the following portfolio changes in the Fund. **New Purchases**—Tide Water Associated Oil, Philadelphia Electric, Bendix, Standard Brands. **Additions to Present**

(Continued on page 1320)

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Savings and Loan Associations And The Post-War Era

By RALPH H. CAKE

Ralph H. Cake

Meeting in Chicago last week (Sept. 22 and 23) the Post-War Savings and Loan Program Committee of the United States Savings and Loan League looked at the post-war directions and dimensions of the 112-year old savings and loan system of the country, discussing everything from probable effects of prefabricated housing on the methods of home financing in this country, to the possibilities of developing a standard savings and loan plan of meeting each of the principal types of needs which the citizens have for mortgage money.

Chairman of the meeting was Gardner W. Taylor, New York savings and loan executive of 20 years' experience in the business, in both the large institution and small institution type of operation, and the Vice-Chairman was Arthur G. Erdmann of Chicago, also a veteran of two decades in savings and loan. Reports from subcommittees which had been working for the past three months on different angles of the post-war problem pointed to the conviction that private financing will have its chance to prove its ability to cope with the home financing situation when the brave new world after the war comes into being. A frank discussion of the prospective economic directions which the affairs of the nation will take after Victory opened the meeting. The question raised by some of the committeemen was whether or not socialized housing and various controls over business, such as rent control, would be given fuller rein after the war. The group decided to set the goal of the business to develop a home financing program of the type which would leave no doubt to the people of America that private capital can do the job of housing more efficiently than any other credit source or method.

The most nearly complete preliminary report of any subcommittee was that given by Fermor S. Cannon, Indianapolis, Chairman of the group assigned to study possibilities of a standard plan for savings and loan financing of each of the following: (1) the home purchaser; (2) the builder of a home for owner-occupancy; (3) the property owner improving his dwelling; (4) individuals and corporations building multiple residential units; and (5) operative builders of housing. The tentative outline of such plans dealt with competitive loan rates, the term of the loan, percentage of value to be loaned in each case, monthly payment of taxes and assessments, prompt commitment, service and disbursement, provision for the borrower whose employment requires him to move, and provision in the mortgage for additional advances for repairs, alterations and modernization on an economical basis.

A subcommittee to study the financing of prefabricated and engineered housing, headed by Arhtur P. Bartholomew, Rochester, New York, after its first endeavors to ascertain the present status of prefabricated housing possibilities that it was too early yet to formulate financing plans for such types of housing. It asked, however, that the business of savings and loan provide itself with a clearing house of information following every step in the merchandising plans for prefabricated housing and the legal developments in connection with it. The consensus was that such housing could be financed by savings and loan institutions and that it was a natural field for their activity. General Manager Oscar R. Kreutz of the Federal Savings

(Continued on page 1321)

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Mortgage Bankers Association Of America Elects New Officers

Herold G. Woodruff

Herold G. Woodruff, president, H. G. Woodruff, Inc., Detroit, was elected president of the Mortgage Bankers Association of America at the organization's annual business meeting at the Drake Hotel, in Chicago, in connection with a Conference of Post-War Planning held Sept. 23, 24 and 25. Mr. Woodruff succeeds Charles A. Mullenix, Cleveland. L. E. Mahan, president, L. E. Mahan & Co., St. Louis, was elected vice-president.

Six new regional vice-presidents were elected, including George B. Underwood, Irvington, N. J., eastern region; Edward F. Lambrecht, Detroit, northeast central region; Ward J. Gauntlett, Chicago, northwest central region; R. O. Deming, Jr., Oswego, Kan., south central region; J. C. McGee, Jackson, Miss., southeast central region, and C. W. Mead, Omaha, Rocky Mountain region. Governors of the Governors of the Association, meeting Sept. 25, were expected to elect a regional vice-president for the Pacific coast region. Miller B. Pennell, Cleveland, was reelected Association counsel and George H. Patterson, Chicago, was renamed executive secretary and treasurer for his twelfth term. Governors named include C. P. Kennedy, Cincinnati; Allyn R. Cline, Houston; C. Armel Nutter, Camden, N. J.; Hugo Porth, Milwaukee; Aksel Nielsen, Denver; Norman R. Lloyd, Cleveland; Wallace Moir, Los Angeles, and G. Calvert Bowie, Washington, D. C.

The Association's new president for the 1943-44 term is a native of Michigan, served in the First World War and is a member of the State bar. He was formerly with the Union Guardian Trust Company and formed his own firm ten years ago, which represents many leading life insurance companies. Mr. Mahan, the new vice-president, is an Association member for nearly 20 years and two years ago organized its affiliated group, the Legion of Mortgage Bankers. He was formerly with the Mississippi Valley Trust Company in St. Louis and organized his own company in 1931. During the last war, he was in charge of all real estate and mortgages in the country taken over under the Trading with the Enemy Act.

Raps Influence Of Bureaucrats In Federal Govt.

Retiring President of Mortgage Bankers Association Says He Expects Investigation of RFC At Some Future Date. Calls for Separation of FHA And National Housing Agency

Chas. E. Mullenix

Washington bureaucrats are using the war to perpetuate excess Federal jobs, for the evasion of military responsibility and to further crackpot ideas in their underground development of revolutionary schemes of government, Charles A. Mullenix, Cleveland, President, Mortgage Bankers Association of America, charged last week in an address at the opening session of the Association's 30th annual meeting and Conference on Post-War Planning at the Drake Hotel, Chicago.

There can be no "complaint or objection when Congress delegates to the President the supreme authority necessary for the conduct of the war, but we must complain of the activity of certain bureaucrats who use this authority for promulgating their pet schemes and developing a type of totalitarian rule in matters which have nothing to do with the war effort—such as the definite attempt of these socialistic forces which set up rent control and the undemocratic manner in which it was administered," he said.

Mullenix' address at the opening session was preceded by brief talks by Howard E. Green, President, Chicago Mortgage Bankers Association, and Herold G. Woodruff, Detroit, Association Vice President. Mortgage bankers, Government officials, executives of many of the largest life insurance companies, and real estate men from all but a few States were there for the meeting, which was cut to two and a half days because of wartime conditions. Mullenix' address was in the nature of a review of developments affecting real estate, taxes, and government agency activities in the past year with recommendations for change.

He reiterated that all mortgage men favor rent control as provided by the Price Control Act, but that they are utterly opposed to the "autocratic administration of it by the type of radical bureaucrats who set up the regulations with no regard to equitable control." He reviewed the Smith Committee's findings and said that "it is hoped that a change in administrative personnel resulting from the investigation will lead to a correction of prevailing tactics and rulings—but the honeymoon is almost over and nothing has happened!"

He said mortgage men weren't too pleased with present operations of the RFC and subsidiary corporations, particularly the Federal National Mortgage Association and RFC Mortgage Company. The former recently sold about $130,000,000 of its mortgages and retains about $65,000,000, which, he said, "could have been sold at a fair price to investors, but the best of these mortgages should be refinanced and taken out of Federal ownership." Regarding the $130,000,000 sale, Mullenix pointed out that "we did not expect that any Federal agency would profiteer at the expense of those servicing agents and investors who have been so loyal in supporting FHA's efforts for home owners.

"Some day some Congressman or Senator is going to start an investigation of the RFC to determine what its activities might lead us into if, at some future time, it might come into hands imbued with the idea of State Socialism—a possible significant development because of its tremendous holdings and the influence which this federally-owned super-bank can exert because of its widespread control of industries and other property holdings."

Mullenix said Association officials have been and still are working on plans which it hopes will prove workable so that the HOLC can be speedily liquidated with the least possible loss to the Government. Turning to current prices for real estate, he said he was somewhat concerned about the present trend and observed that in some instances houses have sold for from 15 to 25% and more above a reasonable economic or possible future value." He declared that a few representatives of a certain type of mortgage lending institution are being accused of lending on homes in amounts greater than FHA will commit for and, in some cases, for amounts higher than FHA appraisals. He said Washington officials who exercise supervisory control are cooperating to end the practice and have showed that they do not approve. He added that the practice has been limited to only a few such lenders. The trend is inflationary, he added, and leads to instability. He told the mortgage men that something must be done to secure a better application of property tax responsibility to remove the chaotic system which has prevailed and still does. He commended the Federal Housing Administration for its survey to determine future construction possibilities. He said the National Housing Agency, however, has become a pyramided bureau which might be justified in wartime but that "it has been used for the domination of private endeavor, both in financing and construction of housing, by socialistic-minded public housing interests. I cannot believe that the administrative section of NHA is private-business-minded except as it has been forced by public sentiment and Congress to moderate its activities. It has, however, apparently done a good job in meeting the war emergency, especially since its apparent change of policy in March of this year. The socialistic "public housers' within the agency, however, are working overtime on plans for tremendous public housing following the war."

A contributing reason, he cited, was that if public housing were turned over to private management organizations, the overhead cost could be reduced by an estimated two-thirds. He said suggestions to Washington to this effect have met with evasive replies.

"Administration of FHA has been good," he said, "But I believe it could have been better had it not been dominated by the 'public houser' influence. We should use every means at our command to have it removed from the National Housing Agency at the earliest possible date and be permitted to resume its role for the benefit of home owners. The same action should be taken regarding the Federal Home Loan Bank system. These two agencies have to do with private enterprise and should not be dominated by influences which have prevailed during the war and which, if allowed to prevail, will result in complete demoralization of two valuable public agencies."

Ralph E. Crawford Dead

Ralph E. Crawford, Secretary of the First Federal Savings & Loan Association, Greenwood, Indiana, died Sept. 19. of an illness of a week's duration. Prominent in the Indiana Savings & Loan League, he was on the Membership Committee of the United States Savings & Loan League, and had previously been a member of the national organization's Committee on Fidelity Bonds and Insurance. He was also active in the Republican party in Indiana.

Jas. Roberts In Seattle

(Special to The Financial Chronicle)

SEATTLE, WASH.—James W. Roberts has opened offices at 4014 Brooklyn Avenue to engage in a general securities business.

DIVIDEND NOTICES

CITY INVESTING COMPANY

36 Broad Street, New York

September 23, 1943

The Board of Directors has this day declared, out of earned surplus of the Company, a dividend for the three months ending September 30, 1943, of one and three quarters (1¾%) per centum upon the issued and outstanding Preferred Capital stock of the Company, other than Preferred stock owned by the Company, payable Oct. 1, 1943, to holders (other than the Company), of the Preferred Capital stock of record on the books of the Company at the close of business on September 24, 1943. Checks will be mailed.

G. F. GUNTHER, Secretary

Electric Bond and Share Company

$6 and $5 Preferred Stock Dividends

The regular quarterly dividends of $1.50 per share on the $6 Preferred Stock and $1.25 per share on the $5 Preferred Stock of the Company have been declared for payment November 1, 1943, to the stockholders of record at the close of business October 6, 1943.

L. B. WIEGERS, *Treasurer.*

FUNDAMENTAL INVESTORS, INC.

The Directors of Fundamental Investors, Inc., have declared quarterly dividend No. 39 of 20 cents per share payable on the Corporation's capital stock October 15, 1943, to holders of record September 30, 1943.

HUGH W. LONG and COMPANY
Incorporated
National Distributors
15 Exchange Place, Jersey City 2, N. J.

MANHATTAN BOND FUND, INC.

The Board of Directors of Manhattan Bond Fund, Inc., has declared Ordinary Distribution No. 21 of 10 cents per share and Extraordinary Distribution of 15 cents per share payable October 15, 1943, to holders of record as of the close of business October 5, 1943.

HUGH W. LONG and COMPANY
Incorporated
National Distributors
15 Exchange Place, Jersey City 2, N. J.

PACIFIC GAS AND ELECTRIC CO.

DIVIDEND NOTICE

Common Stock Dividend No. 111

A cash dividend declared by the Board of Directors on September 15, 1943, for the quarter ending September 30, 1943, equal to 2% of its par value, will be paid upon the Common Capital Stock of this Company by check on October 15, 1943, to shareholders of record at 12:00 o'clock noon, Pacific War Time, on September 30, 1943. The Transfer Books will not be closed.

E. J. BECKETT, *Treasurer*

San Francisco, California

Canadian War Output Attains Record High

In entering the fifth year of its participation in the war, Canadian war production was found to be attaining a peak figure on a scale of $55,000,000 worth of armaments and munitions per week, the Bank of Montreal states in its "Business Summary" dated Sept. 22.

The review goes on to state:

"For the year ended Sept. 1, 1943, the expenditure on contracts for war production and construction under departmental contracts was placed at $3,094,000,000, as compared with $1,957,000,000 for the year ending on the corresponding date in 1942, while the number of persons employed directly or indirectly on war work on Sept. 1 was estimated at 1,100,000, as compared with 940,000 on the same date last year. During the four-year period, more than $800,000,000 was spent on the construction of new plants and the installation of new machines. By the close of 1943, Canadian yards will have launched approximately 750 ships and Canadian plants will have produced 10,000 aircraft, 35,000 armored fighting vehicles, 600,000 other military vehicles, 100,000 guns, barrels and mountings and 1,000,000 small arms. There will also have been manufactured 1,000,000 tons of explosives and war chemicals, 60,000,000 complete rounds of heavy ammunition, 3,000,000,000 rounds of small arms ammunition, and instruments and communications material valued at nearly $300,000,000."

FINANCIAL NOTICE

This Notice is not an Offer

TO THE HOLDERS OF

Republic of Colombia

6% External Sinking Fund Gold Bonds
Dated July 1, 1927, Due January 1, 1961,
and
6% External Sinking Fund Gold Bonds of 1928
Dated April 1, 1928, Due October 1, 1961,
and
the appurtenant coupons designated in the Offer.

NOTICE OF EXTENSION

The time within which the Offer, dated June 5, 1941, to exchange the above Bonds and the appurtenant coupons for Republic of Colombia, 3% External Sinking Fund Dollar Bonds, due October 1, 1970, may be accepted is hereby extended from October 1, 1943 to April 1, 1944.

Copies of the Offer may be obtained upon application to The National City Bank of New York, Corporate Trust Department, 20 Exchange Place, New York 15, N. Y.

ALBERTO LLERAS

Ambassador Extraordinary and Plenipotentiary of the Republic of Colombia to the United States of America.

September 29, 1943.

The Securities Salesman's Corner

Selling Intangibles Requires A Sympathetic Understanding Of People

Salesmen who have never sold intangibles often discover that although they may have been successful selling automobiles, houses, or other tangible articles, that there is an entirely different technique to selling something that cannot be seen, felt, tasted or handled. Some people find the answer quickly—others have the greatest difficulty in acquiring the knack of selling intangibles.

For it is a "knack." Most people are born with a certain amount of sympathetic understanding of other people. As we progress through life our understanding usually quickens and we acquire more experience in dealing with others. The successful salesman of intangibles uses this ability to GAIN A SYMPATHETIC UNDERSTANDING with his prospects. It is the basis upon which he erects a foundation of confidence in himself that eventually leads to the creation of a substantial business relationship.

One of the first requisites necessary in order to acquire the sort of sympathetic relationship that eventually leads to confidence and sales is to be genuinely interested in people. This has been repeated many times, in hundreds of selling courses, but it is worth stating again. The salesman who has lived and observed the many ups and downs that come to all human beings and who has learned the lessons that life itself teaches, is the fellow who can almost instinctively discern the proper things to say and the right time to say them.

As an example of how one salesman capitalized upon this gift of understanding people we are reminded of how a well-educated young fellow began his sales career a few years ago by calling upon pople with whom he had a very close tie and relationship to the past. On account of the war he had been compelled to leave occupied Europe and, although his family were still there, he was fortunate to be in the U. S. A. He built his clientele among people who had also been through some of the same experiences and had feelings and sympathies in common with his own. His knowledge of the various countries in Europe and of several languages also made it possible for him to get closer to these people. As his clientele developed he stayed in this same group—one told another and today he has a very lucrative investment business.

Of course this specialization in one class of prospects is not always possible, but it does show how important a common understanding can be when it is based upon realistic experiences. The salesman who has this faculty of understanding people knows instinctively when he is overstaying during a call—he knows how to pick up little things his prospect is saying so as to lead the conversation into channels that are INTERESTING TO THE PERSON WITH WHOM HE IS TALKING. His tact is almost instinctive because it is based upon an appreciation of the things THAT ARE IMPORTANT in the lives of others. This faculty can be acquired by every one—some of us have it in a greater degree than others—but it is always an essential ingredient of successful salesmanship.

Public Utility Securities

(Continued from page 1300)

nue averaged only 1.9¢ per kwh. in 1942, not much over half the U. S. average. If the Federal Government finally obtains an appropriation from Congress to buy up local distributing companies and thus obtain a market for Bonneville power (now largely used in war industries), it seems unlikely that the company could be forced to sell at a price which would injure common stockholders. Some local utility districts have been formed, but thus far have not been able to buy any parts of the Puget Sound property. Jury condemnation awards totalled over $22,000,000 or about double what the districts claimed the properties were worth.

At the recent price of 11¾, the stock is selling at about six times the adjusted earnings per share, as compared with an average of about 14 or 15 times for leading utility stocks listed on the Big Board. Dividend policy is not yet clearly formulated but the initial dividend alone is equal to about 5% on the present price of the stock. It appears likely that the annual rate might be in the neighborhood of 75¢ a share, which would equal the dividends on the old preferred stock. A portion of net earnings is to be used to reduce funded debt.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1296)

week's column chose the latter as more in keeping with market behavior.

* * *

As this is written the market has already retreated from the 142 point and is now at about 139. To hear some of the statements made explaining this reaction you would think that this was a prelude to a sharp wide open crack. I don't agree. I have made errors in the past, and being human, will undoubtedly make them in the future, but the current action of not only individual stocks but the averages do not in my opinion indicate any extension of the reaction.

* * *

That Congress will be plastered all over the front pages as it argues new taxes next week is well known. But because it's well known the market has already anticipated it.

* * *

You and I may not know what the final tax decision will be. But you can be sure that the market does. True, its knowledge isn't displayed in just so many words. But to the market analyst the answer seems to be that after all the shouting is over, certain stocks will go higher.

* * *

From the war front the news is almost uniformly good. But here too the news of battles play a secondary role to the political maneuverings aimed at shaping the post-war world. What the answer to all this will be is something the market has yet to indicate. There are weeks when its interpretations point one way, to be followed by market actions in subsequent weeks that point still another way.

* * *

The London market, for example, foretold a post-war settlement that would be kind to industries whose securities are traded in that Exchange. The American market, did the contrary. Whether it was because of domestic problems or international, is hard to tell. But whatever it was, it was sufficient for this column to ignore the London market and base recommendations on the action of the American exchanges.

* * *

All this was true until last week. It was then that certain stocks began acting in such a manner that new and higher prices seemed to be foreshadowed after a minor setback. This setback has already been seen. It may go further, but I doubt if any further decline will extend more than another point or so.

* * *

As this is being typed the averages are about 139. This represents a reaction of about 3 points from last week's highs. If the market means what it is saying the low point should be 138 or so, followed by either dullnes or a gradual recovery to 142. But playing the averages is impractical. No one ever buys or sells them. So converting the action of the averages into individual stocks, this column has chosen a list which it believes will advance even if the market itself marks time, and should do appreciably better if the market as a unit shows any tendency to advance.

* * *

Last week's column advised the purchase of eight stocks at specific prices. Of these the following became available: Atlantic Refining, bought at 27, with a stop at 26. U. S. Pipe & Foundry, bought at 34, with a stop at 32. White Motors, bought at 21, with a stop at 19, and Youngstown Sheet & Tube, bought at 36, with a stop at 35. I advise holding the above until new instructions appear here. The other four stocks (see last week's Chronicle) are still anywhere from fraction to full points away from the buying levels. If they get down, the advice to buy still applies.

* * *

More next Thursday.

—Walter Whyte

[*The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.*]

Situations of Interest

The current situations in The National Radiator Company and Public National Bank and Trust Co. offer attractive possibilities, according to memoranda being distributed by C. E. Unterberg & Co., 61 Broadway, New York City. Copies of these interesting memoranda may be had from the firm upon request.

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Municipal News & Notes

A decline in passenger car registrations this year to less than the total recorded at the beginning of the war in 1939 is indicated by registration data from 39 States for the first half of 1943, the Public Roads Administration of the Federal Works Agency announced Sept. 20.

The Roads Administration estimates that 25,500,000 automobiles will be registered in 1943 compared with 26,100,000 in 1939. This would be a decrease of four million from the 29,500,000 of 1941, peak year in the 43-year history of automobile registrations. It would be a greater decline than the only previous large reduction in registrations which took place during the depression when the number dropped from 23,100,000 in 1929 to 20,600,000 in 1933.

Registrations in 39 States for the first six months of 1943 were down 10.7% compared with the same period in 1941. Registrations in these States in 1942 increased only 3% from the 1941 total.

The percentage drop in registrations in 15 States in the severely gasoline rationed eastern area during the first half of 1943 was nearly double that of the 24 States in the "western" rationed area. The eastern and western declines were 15 and 8%, respectively, compared with January-June registrations in 1941. The decline in 1942 registrations from the 1941 totals amounted to only 3.5% in the eastern and 2.7% in the western area.

Greatest reductions in the East in 1943 occurred in New Hampshire with a 26% drop, New York 23%, Vermont 18%, Florida 17%, Maine 16% and Delaware and Massachusetts 15%.

In the "West" in 1943, Montana led with an 18% decline, followed by Michigan with 17%, Oklahoma with 15%. Idaho 14%, New Mexico 13%, Illinois 12% and Minnesota 11%. The smallest decrease, 2%, was in the State of Washington. Registrations increased in Alabama, Arkansas and Nevada, 1, 2 and 7%, respectively.

The automobile registration figures show that a large number of cars have migrated westward from the eastern portion of the country, the Public Roads Administration pointed out.

On the other hand, truck registrations in the eastern ration area during the first half of this year decreased 0.4% from the same period in 1941—considerably less than the 4.2% decrease in the western area.

January-June truck registrations in 39 States this year were down 2.9% compared with the first half of 1941.

A table comparing the 1941 and 1943 registrations in the 39 States covered by the survey has been compiled by the Public Roads Administration.

Detroit Debt Survey Reveals $48 Million Net Debt Reduction

The substantial improvement effected in the credit position of the City of Detroit, Mich., in the past ten years is reflected in an interesting analysis of the city's financial statement of Aug. 31, 1943. The survey, prepared by the First of Michigan Corp., Detroit, reviews the details of the various factors which have brought the city's credit standing to its present high level. Among these are:

A net debt reduction of over $48,000,000 which is equivalent to approximately 17% in amount, 4% in percentage of assessed valuation, $35 per capita.

The highest percentage of tax collections on record.

Complete elimination of the $21,000,000 carry-over deficit.

In the water and street railway departments: (a) Net water debt reduction of approximately 26%; (b) Net street railway debt reduction of approximately 50%; (c) Substantial margin of earnings to meet debt service notwithstanding increased operating costs.

Detroit's tremendous industrial capacity is now devoted primarily to war production. Conversion to war work has given the city new facilities which should prove of much permanent value in a broadened peacetime production, the First of Michigan Corp. explains. The backlog of potential orders being created in automobile and other expendable products manufactured in Detroit, and plans made for a rapid reconversion, when peace is declared, are reassuring.

Detroit bonds, the bond house concludes, are still obtainable at current market levels, yielding substantially more than bonds of most of the other large cities in the country.

Copies of the complete analysis, of which a few highlights have been given, are available on request from the First of Michigan Corporation, Buhl Bldg., Detroit (26), Mich.

Legislative Action In Sales Tax Field Reported

West Virginia exempted all food purchases up to 50 cents from the State's 2% sales tax and California cut its sales and use tax rates from 3 to 2½% to highlight State legislative action this year in the sales and use tax field, the Federation of Tax Administrators reported Sept. 13.

West Virginia's action fell in line with the general trend this year of extending sales tax exemptions to transactions formerly subject to the tax, the Federation said, although several States broadened their sales tax laws to include transactions and commodities formerly exempt.

Despite strong pressure in several States to abolish or reduce sales taxes, California was the only State to do so. Oregon's Legislature, on the other hand, will submit to voters at the next general election a proposal to levy a 3% sales tax on gross income of retailers, with 60% of an anticipated annual yield of $20,000,000 scheduled to offset reduced yields from property taxes.

Among the States broadening exemptions from sales and use taxes or otherwise liberalizing these laws were Alabama, Arizona, Colorado, Missouri, North Dakota, Oklahoma, South Dakota, Utah and Washington. Alabama, for example, exempted gross proceeds from sale of agricultural publications from the sales tax, and allowed manufacturers to buy supplies and materials without payment of sales tax.

Arizona exempted contractors from paying the sales tax on materials bought for use in their contract projects; Colorado exempted all fuel oil, coke, newsprint and printer's ink used by publishers and commercial printers and also exempted sales of animals to be used for breeding purposes; North and South Dakota both exempted from the sales tax the sale of materials and supplies to the State and local governments; Oklahoma exempted from the State use tax all tangible personal property stored in the State pending shipment for use in another State; Washington made tax-exempt the sale of an entire operating property of a publicly-owned utility, or sale of a section of the property.

Among the States broadening their sales tax structures to cover a wider range of transactions or commodities were Alabama, Illinois, Oklahoma, South Dakota, Utah, Washington and West Virginia.

Wire Bids on
VIRGINIA—WEST VIRGINIA
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CAROLINA
MUNICIPAL BONDS
F. W.
CRAIGIE&CO.
RICHMOND, VIRGINIA
Bell System Teletype: RH 83 & 84
Telephone 3-9137

Under the new Alabama legislation use of tangible personal property by the manufacturer himself as building material in performing a construction contract is to be considered as a retail sale by the manufacturer, to himself as consumer, making himself liable for the sales tax.

Illinois amended its retailer's occupation tax to include sales made by foreign corporations through solicitations or orders by salesmen in Illinois.

Oklahoma enacted legislation applying to tax exemption of "cost-plus" contracts, providing that sales tax exemptions for Federal cost-plus-a-fixed-fee type of contracts shall apply only to bona-fide contracts of this type, and not to lump sum or renegotiated contracts.

South Dakota, though exempting from the sales tax the sale of materials and supplies to State and local governments, repealed exemptions formerly granted industrial materials, capital assets and equipment not readily obtainable in South Dakota. The Legislature also levied a 2% tax on gross receipts from pin-ball machines and similar mechanical devices.

Utah levied a 2% tax on sale of coal, fuel oil and other fuels for domestic or commercial consumption; rural electric cooperatives were exempted however.

Washington tightened its sales and use tax structures in several ways by amendment to the general act. Certain improvements to lands and buildings were declared retail sales, and sales or charges made for labor and service rendered in respect to real or personal property, which are not sales at retail, were made sales at wholesale. Gifts were made subject to the use tax, and persons engaged in improving roads, streets and bridges were made liable for the business privilege tax.

West Virginia extended its sales tax law to include persons selling tangible personal property or furnishing services to retail dealers for resale only; wholesalers were classified as retail dealers when they make sales for personal consumption or use. Repealed was the exemption formerly granted persons paying a personal income tax on income from rentals, royalties, fees and interest.

Delaware, Iowa, Oklahoma and Wisconsin made changes regarding imposition of sales taxes on special commodities; Delaware made dealers in feed bags subject to a tax of 20 cents per $1,000 of the cost value of goods purchased during the preceding year; Oklahoma repealed its oleomargerine poundage tax and license fees; Wisconsin imposed an excise tax of 7 cents per 1,000 feet on use or consumption of natural gas; Iowa imposed an excise tax of 1 cent a pound on butterfat produced between June 1 and June 15 each year to finance the advertising of Iowa dairy products.

Corn Exchange Bank Of Philadelphia Now 85 Years Old

(Continued from first page)

to $500,000. The bank's growth over the 85 years of its existence has been steady and rapid during which time it has retained the same name and always has been known and guided by its symbol—the ear of corn.

The Corn Exchange, having several times previously served the nation in times of stress, is again exercising every effort in the prosecution of the present war effort. Over 55% of its deposits, or approximateliy $113,500,000, are invested in U. S. Government securities and practically every fifth dollar of Corn Exchange deposits are financing America's vital war industries in the all-out production of weapons of victory. The bank also is active in promoting the sale of war savings bonds, and to date has sold over $22,000,000, in addition to millions of dollars of other Government issues.

The bank has long been identified closely with every movement of a constructive nature in the city of Philadelphia—the most notable being its efforts in the development of the Port of Philadelphia, helping to obtain the Federal Building for the new Custom House, its interest also extending to the Philadlephia airport and the erection of the Art Museum and the Franklin Institute.

The first President of the Corn Exchange was Alexander G. Cattell, who served until 1871. David E. Williams, the present head of the institution has served since January, 1941.

It was on Sept. 23, 1858, that the Corn Exchange National Bank & Trust Co. was first opened for business as a State institution with a paid-in capital of $130,000. The five clerks transacted business in modest rented quarters in the hall of the "Corn Exchange" building at the corner of Second and Gold, near Dock Street in old Philadelphia. Later that year the bank moved to its permanent location at Second and Chestnut Street where its main office still stands. In a sketch of the bank's history, which has been made available, the following information is also supplied.

Originally, the Board of Directors met at night to guide and chart the bank's course, continuing to do so until 1859 when meetings were held during the day. By their diligent efforts the bank accumulated quickly resources of $500,000. In 1864, the institution was placed under the National Banking Act with a capital of $500,000. Today the bank's resources are over $200,000,000—a growth which perhaps even the most sanguine of the founders could not have foreseen.

The expansion of the bank was steady and rapid. It outgrew its quarters several times, making repeated additions necessary to the originally occupied building. Other properties were bought and a modern building was erected about the turn of the century. This building is now known as the "main office" for the bank has since kept pace with Philadelphia's growing population by acquiring 10 branch offices located at strategic points, the better to serve its many customers.

The long life of the Corn Exchange Bank has spanned several wars. During its inceptive years the bank financed the Government to its utmost in carrying on the Civil War. In response to President Lincoln's urgent call for volunteers, Mr. Cattell, the first President of the bank, sponsored the formation of a regiment almost immediately. Within a matter of days approximately a thousand men, known as the "Corn Exchange Regiment," went forth to engage in some of the war's most important battles, including Antietam and Gettysburg.

The bank has been fortunate in having as its leaders some of Philadelphia's most outstanding citizens to uphold this tradition. Since January, 1941, David E. Williams has been President of the institution. A captain in Philadelphia own 315th Infantry during the last World War, he was in the midst of an attack on the Germans on Nov. 11, 1918, when firing ceased. Now he is fighting wholeheartedly on the home front. As Chairman of the recent War Chest Campaign in Philadelphia he brought the drive well over its $7,300,000 goal with his untiring efforts night and day and his outstanding leadership.

Investment Trusts

(Continued from page 1317)

Holdings — United Corp. Pfd., Atchison, Phelps Dodge, Caterpillar, Celanese, Bank of America, Simmons, Sperry, Commercial Investment Trust, New York, Chi. & St. L. 4½s, 1978, Associated Elec. 4½s, 1953. **Eliminations**—American Loco. Pfd., Lehman Corp., Anaconda, Briggs, Reliance Insurance, U. S. Tobacco, Burroughs, Underwood-Elliot-Fisher, Boston Edison, Southern California Edison, Wash. Railway & Elec. units, Amer. Lt. & Traction, Illinois Central 4s, 1955.

* * *

If there is anything new in the way of investment company literature, the new prospectus on Selective American Shares is it. Done in two colors, with the front cover set to resemble the usual "new offering" prospectus, it succeeds in making the revered document through which "official" offering is made look more nearly like a sales presentation than anything we have hitherto seen.

* * *

The Stock Exchange firm of E. F. Hutton & Co. has prepared a new study of the principal portfolio changes in the common stock holdings of the leading investment trusts. Copies are available from Mr. G. M. Loeb of that firm.

Investment Company Reports

At the close of business Aug. 31, 1943 The Maryland Fund, Inc. had net assets amounting to $5,769,989.23, equivalent to $5.19 per share on 1,112,302 shares outstanding. This compared with net assets on Feb. 27, 1943 of $5,467,065.42, equivalent to $4.88 per share on 1,119,922 shares outstanding, and with net assets a year ago of $4,349,580.92, equivalent to $3.88 per share on 1,119,922 shares outstanding.

Dividends

Fundamental Investors, Inc.—Quarterly dividend No. 39 amounting to $.20 per share payable Oct. 15, 1943, to holders of record Sept. 30.

Manhattan Bond Fund, Inc.—Ordinary distribution No. 21 amounting to $.10 per share and an extra amounting to $.15 per share payable Oct. 15, 1943 to holders of record Oct. 5.

Aviation Group Shares—A semi-annual dividend of $.50 per share payable Nov. 30, 1943 to holders of record Oct. 30.

"News & Views"

The current issue of "News & Views" being distributed by Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles, Calif., contains interesting data on a number of fire and casualty insurance companies. Copies of this interesting circular may be had from the firm upon request. Also available to dealers only is an interesting quotation sheet of bank and insurance stocks.

Savings And Loan Associations And The Post-War Era

(Continued from page 1318)

and Loan Insurance Corporation, who spoke to the committee, said he believed that changes in methods of building houses in this country after the war would be evolutionary rather than revolutionary.

Consideration of additional financial services which can be offered to savings and loan customers, along with the financing of their homes brought to discussion the possibility of a "package" loan, designed to cover not only the financing of the house itself but of the furniture and other household effects. Recognizing the legal changes which would be involved in such a departure from traditional mortgage financing, the subcommittee headed by W. W. McAllister, San Antonio, Texas, saw the advantage to the home owners of making one payment each month cover all of his commitmentss for the home, and also sthe advantage to the lender, who would then be aware of practically the full extent of the home borrower's obligations and consequently be able to build a more realistic collection policy.

Viewing the wartime increases in the inflow of savings into the thrift and home financing institutions, and visualizing the probability that the overall accumulation of savings in the country will be greater than the outlet through mortgage loans, which have always been the chief investment for savings in America, one subcommittee set itself to devise additional outlets for the funds of saving and loan. The Chairman, E. C. Duncanson, Spring Valley, Minnesota, stressed that such outlets must be in keeping with the type of funds they are receiving from the public and from institutions, estates and other organizations.

George L. Bliss, New York City, Chairman of the subcommittee on Public Relations suggested simplification of the terminology applied to the business, along with other preliminary suggestions on a nationwide public relations program for the business.

A subcommittee with the responsibility of pointing the way to participation of savings and loan associations in the slum clearance and redevelopment programs of cities after the war, pointed to the successful precedent for local handling of such problems which now exist in the functioning of local draft and rationing boards, and in the proposed decentralization of some of the other wartime arms of government. John F. Scott, St. Paul, Minnesota, is Chairman. Seeing the demolition of slum properties as one problem and the housing of slum dwellers under decent and sanitary shelter as another distinct and separate problem, his subcommittee held that the service of savings and loan men on local housing authorities and boards would be valuable in shaping the post-war developments in rehousing the lower-income groups, as well as in removing present slum buildings.

Thomas T. Taylor, Salt Lake City, Chairman of the subcommittee on methods of expanding savings volume, pointed out that the savings and loan system now has the best liquidity it has enjoyed in all its history. He visualized the need for maintenance of this position in the business after the war and its correlation with the dividend policies of the associations. Another angle of the liquidity question was explored in an inquiry by Philip Klein, Newark, N. J., as to the feasibility of harnessing the assets of the savings and loan business in a system which would insure the mortgagor's payments and thus approach some degree of true liquidity in a mortgage.

The post-war group will make a progress report at the War Conference of the United States Savings and Loan League meeting in Chicago, November 30 and December 1. Ideas which have come out of four days of discussion of the major problem, two days in June and two in September, presage the far-reaching possibilities of the final post-war program which grows out of these conversations around a table, and the exchange of ideas among the committeemen and the men who operate the other 3,700 savings and loan associations in the country which the national organization comprises.

The entire field of savings and loan ramifications and possibilities will be explored, under the leadership of the committee. As a result, the summer and fall of 1943 may well prove to be as momentous in the development of this basic American financial system as were the beginning days of the institution in January, 1831, or the year, 1932, when the Federal Home Loan Bank system was created, giving these diverse units for the first time a central reserve system.

New York Bank Stocks Compared For 3rd Quarter

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have prepared an interesting analytical comparison of New York City Bank Stocks for the quarter ended Sept. 30. Copies of this comparison may be had from the firm upon request.

July Home Mortgage Recordings Up Slightly

The recent month-by-month rise in the volume of non-farm mortgage recordings leveled off during July, when the total of $351,516,000 was only a fraction of 1% greater than the June figure, the Federal Home Loan Bank Administration reported on Sept. 4. Nevertheless, recordings were within 1% of the volume for July of 1942. The Administration further said:

"Mutual savings banks increased their recordings by 4% from June to July, while the activity of savings and loan associations rose 3%. Except for individuals, whose totals gained 5%, recordings by all other types of lenders declined for the month.

"For the first seven months of this year, the aggregate of all recordings was 13% below the total for 1942 and 23% less than in the same months of 1941. Only individual lenders increased their activity over the January-July period of 1942, scoring a gain of more than 5%. The greatest declines were shown for insurance companies 27%, and commercial banks 25%. Mutual savings banks dropped 20%, while the figures for savings and loan associations were off 7%.

"The number and amount of mortgages of $20,000 and less recorded for July 1943, by type of lender, follow:

	Number	Amount	Per Cent
Savings and loan associations	39,168	$116,406,000	33%
Insurance companies	4,955	25,586,000	7
Banks and trust companies	18,914	64,766,000	19
Mutual savings banks	3,823	15,329,000	4
Individuals	33,913	78,594,000	22
Other mortgagees	13,687	50,835,000	15
Totals	114,460	$351,516,000	100%

Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

BOSTON, MASS. — **Russell L. Davis**, previously with Trust Funds, Inc., is now connected with **Perrin, West & Winslow, Inc.**, 24 Federal Street.

(Special to The Financial Chronicle)

CINCINNATI, OHIO—**William H. Bell** has been added to the staff of the **J. L. Barth Co.**, Dixie Terminal Bldg. Mr. Bell was previously with the Research Institute of America and prior thereto was in business for himself as tax consultant.

(Special to The Financial Chronicle)

DETROIT, MICH.—**Claude E. Mulkey** has joined the staff of **Merrill Lynch, Pierce, Fenner & Beane**, Buhl Building. Mr. Mulkey in the past was with Smith, Hague & Co., American Industries Corp. and Alison & Co.

(Special to The Financial Chronicle)

GREENVILLE, S. C.—**Darrell Wade Swope** has become associated with **R. S. Dickson & Co., Inc.** Mr. Swope was formerly with McAlister, Smith & Pate, Inc. in charge of their Asheville, N. C. office.

(Special to The Financial Chronicle)

JOPLIN, MO. — **Hubbard A. Sublett** has been added to the staff of **B. C. Christopher & Co.**, 118 West Fourth Street.

(Special to The Financial Chronicle)

MIAMI, FLA.—**Bernard Simonetti** has been added to the staff of **Merrill Lynch, Pierce, Fenner & Beane**, 169 East Flagler Street.

MINNEAPOLIS, MINN. — **Carl H. Carlson** is now with **Central Republic Company**, Rand Tower. Mr. Carlson was formerly with Standard & Poors Corporation.

(Special to The Financial Chronicle)

MINNEAPOLIS, MINN.—**Archibald G. Ingersoll** has become connected with **Merrill Lynch, Pierce, Fenner & Beane**, Rand Tower. Mr. Ingersoll was previously with Riter & Co.

(Special to The Financial Chronicle)

PORTLAND, MAINE — **Albert B. Collins, Philip H. Hansen** and **Frank H. Miller** have become connected with **R. H. Johnson & Co.**, 31 State St., Boston, Mass. All previously were with J. Arthur Warner & Co.

N. Y. Stock Exchange War Bond Rally

The trading floor of the New York Stock Exchange was the scene on Sept. 23 of a War Bond rally unique in the 151-year history of the institution. Under a 50-foot American Flag suspended from the lofty ceiling of its trading floor, about 7,000 people crowded among the trading posts to witness a rally marking New York Stock Exchange War Bond Day. The rally climaxed a day of extraordinary War Bond sales effort by the entire Stock Exchange membership.

Participating in the rally as speakers were Secretary of the Treasury Henry Morgenthau, Jr.; Vice-Admiral Adolphus Andrews, Commander of the Eastern Sea Frontier; W. Randolph Burgess, Chairman of the New York State War Finance Committee, and Kate Smith. Emil Schram, President of the Exchange, presided.

Mr. Schram reported that, up to 4 p.m. $778,458,286 of Third War Loan Bonds had been sold by the Stock Exchange community for the period of the Drive to date. The total sales for the day, also up to 4 p.m., amounted to $55,338,870. Mr. Schram pointed out that the total for the Third War Loan Drive to date compared with Second War Loan sales by the community in the amount of $500,000,000, and that in the current Drive the goal of the Stock Exchange membership was not only a larger dollar volume, but also the aim has been to reach a greater number of individuals.

Mr. Schram handed to Mr. Burgess the Stock Exchange's check representing completion of the purchase of $2,000,000 of War Bonds in the Third War Loan Drive to date by the Exchange and its subsidiary companies and the Trustees of the Exchange Gratuity Fund.

Fronting the Exchange in Broad Street was a war exhibit installed by the U. S. Army which consisted of a bullet-riddled B-17 fuselage, anti-aircraft guns and crews, amphibious jeeps, a 105-mm. field piece, 2 beach searchlights, 2 tanks and 6 jeeps armed with machine guns, and, also, German and Japanese war implements.

In his talk, Secretary Morgenthau paid tribute to the Stock Exchange community for its part in the bond drive. He also recalled that he was a strong advocate of keeping the Stock Exchange open when the European war started in September, 1939 and had advised President Roosevelt to do so. Mr. Morgenthau praised the Stock Exchange for having taken this war in stride.

Capt Cattus Honored By Queens Guards

Captain John C. Cattus of Kean, Taylor & Co., 14 Wall Street, New York City, was guest of honor of the Queens Own Guards, the free military training academy, at its drillhall, the gymnasium of the Jamaica High School, on Friday evening, Sept. 24. This unit, organized Sept. 23, 1941, is celebrating its second anniversary. Captain Cattus has just been commissioned Master of a Class B ship in the Army Transport Service and will report for duty in the Pacific area early in October.

He has been an active member of the Colonel George Chase Lewis Military Training Group which meets Tuesdays for luncheon lectures and discussions at Au Coq D'Or, 129 Maiden Lane, New York City. Numerous other prominent financial district men are attending these meetings while awaiting their commissions.

Railroad Securities

(Continued from page 1297)

steel men as a permanent accretion to the territory's industry and as the natural source for the western area's steel needs in a return to a peace economy. Thus the Denver should emerge from the war period with important new traffic sources to compensate for the loss of war business and with a stake in heavy industry unusual for a property operating primarily in a traditionally agricultural territory. It is felt that these long-term considerations, which were not reflected in any pre-war earnings, should eventually find recognition in a wider investment and speculative regard for the new company's securities.

Purolator Products Situation of Interest

Purolator Products, Inc., offers attractive possibilities, according to Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange. An interesting basic report upon the company may be had from Reynolds & Co. upon request.

The Business Man's Bookshelf

Community Action for Post-War Jobs and Profits—U. S. Department of Commerce—United States Government Printing Office, Washington, D. C.—paper.

Europe's Overseas Needs 1919-1920 and How They Were Met—League of National Publication, 1943. II. A. 6—Columbia University Press, International Documents Service, 2960 Broadway, New York 27, N. Y.—paper—50c.

Excess Profits Taxation—Kenneth James Curran, with an introduction by Alfred G. Buehler—American Council on Public Affairs, 2153 Florida Ave., Washington, D. C.—cloth, $3.50; paper, $3.00.

Fire Losses and Fire Risks—Herbert A. Simon, Ronald W. Shephard, and Frederick W. Sharp—Bureau of Public Administration, University of California, Berkeley, Calif.—paper—$1.00.

Free China's New Deal—Hubert Freyn—The Macmillan Company, 60 Fifth Avenue, New York City—cloth, $2.50—to be published Oct. 19, 1943.

Germans In the Conquest of America, A Sixteenth Century Venture—German Arciniegas—Translated by Angel Flores—The Macmillan Company, 60 Fifth Avenue, New York 11, N. Y.—cloth-–$2.50.

Labor Legislation of New Jersey, The—Philip Charles Newman, with a foreword by Charles A. Beard — American Council on Public Affairs, 2153 Florida Avenue, Washington, D. C.—paper, $2.00.

Maps of Agriculture and Mineral Industries in the Territory Served by the Nickel Plate Road—Nickel Plate Railroad, Terminal Tower, Cleveland, O.

Pension, Bonus and Profit-Sharing Plans—The Chase National Bank of the City of New York—paper.

Post-War Backlogs and Business—L. Scudder Mott— Economics and Investment Department, National Securities & Research Corporation, 120 Broadway, New York City—paper—$1.00 (prices on quantity orders on request).

Price Control and Subsidy Program in Canada, The—Jules Backman—The Brookings Institution, 722 Jackson Place, N. W., Washington, D. C.—paper—50c.

Public Utility Bonds and Public Utility Preferred Stocks, 1943 Edition—The First Boston Corporation, 100 Broadway, New York City—paper.

Renegotiation — (A protest against renegotiation as it relates to the machine tool industry)—National Machine Tool Builders' Association, 10525 Carnegie Ave., Cleveland 6, O.—paper.

Chicago Surface Lines Situation of Interest

The current situation affecting Chicago Surface Lines offers attractive possibilities according to a memorandum prepared by Brailsford & Co., 208 So. La Salle St., Chicago, Ill., members of the Chicago Stock Exchange. Copies of this interesting memorandum may be had from the firm upon request.

Calendar Of New Security Flotations

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing (unless accelerated at the discretion of the SEC), except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern War Time as per rule 930 (b).

Offerings will rarely be made before the day following.

MONDAY, OCT. 4

DERBY GAS & ELECTRIC CORP.

Derby Gas & Electric Corp., a subsidiary of Ogden Corp., registered 91,577 shares of its common stock without par value with the SEC. This stock is already issued and outstanding, and the shares are not being offered by or for the account of the company. They are to be sold by Ogden Corp., as part of its plan to dispose of its public utility investments in accordance with the Public Utility Holding Company Act of 1935.

Address — One Exchange Place, Jersey City, N. J.

Business — The company is engaged primarily in the generation, distribution and sale of electric energy and manufactured gas.

Underwriting—Ogden Corp., after the registration becomes effective, will publicly invite sealed proposals for the purchase or underwriting of these shares. The result of the bid opening will be filed by amendment later.

Offering—Terms will be filed by amendment later.

Registration Statement No. 2-5213. Form S-1. (9-15-43).

JULIUS GARFINCKEL & CO., INC.

Julius Garfinckel & Co., Inc., filed a registration with the SEC covering 60,000 shares of 5½% preferred stock, par value $25 a share, and 19,990 shares of common stock, $1 par value.

Address—Washington, D. C.

Business — The company operates a specialty department store at 14th and F Streets, N. W., Washington, D. C., dealing primarily in women's wear and accessories, but includes various other retail and service departments, the more important being men's and boys' furnishings and clothing, semi-precious and precious jewelry, linens and blankets, glassware, china and lamps, stationery and luggage, and fur storage vaults.

Proceeds — To redeem an unspecified number of the company's cumulative convertible 6% preferred stock on its redemption date Oct. 8, at $27.50 a share plus accrued dividends from Oct. 1.

Underwriting—J. G. White & Co., Inc., for the 5½% preferred stock.

Offering—The common stock shares will be sold only to the holders of the company's outstanding bearer warrants which entitle them to purchase at $12.50 a share on or before Sept. 1, 1944, an aggregate of 19,990 shares of $1 par common stock, fully paid and non-assessable.

Registration Statement No. 2-5214. Form S-1. (9-15-43).

SATURDAY, OCT. 9

FIRST BOND & MORTGAGE CO.

The First Bond & Mortgage Co. filed a registration statement with the SEC covering voting trust certificates for 1,400 shares of common stock no par value. O. C. Logan, sale trustee.

Office—Glendale, Calif.

Registration Statement (filed in San Francisco) No. 2-5215. Form F-1 (9-20-43).

SUNDAY, OCT. 10

P. LORILLARD COMPANY

P. Lorillard Company has filed a registration statement for $20,000,000 20-year debentures, due Oct. 1, 1963, and 374,391 shares of common stock, par value $10 per share. The interest rate on the debentures will be supplied by amendment.

Address—119 West 40th Street, New York City.

Business—Company is engaged in the business of manufacturing and selling cigarettes, smoking and chewing tobaccos, and cigars.

Underwriting—The new debentures and common stock will be underwritten by a banking group headed by Lehman Brothers and Smith, Barney & Co. Other members will be supplied by amendment.

Offering—Offering price of the debentures to the public will be supplied by amendment. The 374,391 shares of common stock are being offered to present common stockholders of record at the close of business on Oct. 4, 1943, at the rate of one-fifth of a share for each share of common stock held at a price to be supplied by amendment. The subscription warrants will expire at 3 p.m. on Oct. 15, 1943. New debentures will have a sinking fund scheduled to retire 50% of the issue by maturity.

Proceeds—Proceeds to be received by the company from the sale of the debentures are to be applied to the payment at maturity, or the sooner purchasing, of the company's 7% gold bonds due Oct. 1, 1944, presently outstanding in the aggregate principal amount of $5,209,600. Balance of such proceeds and proceeds received from sale of common stock are to be applied to the payment or reduction of the company's short term loans payable to the banks aggregating $19,000,000, and after payment of expenses, any balance will be added to the company's working capital.

Registration Statement No. 2-5216. Form S-1. (9-21-43).

MONDAY, OCT. 11

OSCAR MAYER & CO., INC.

Oscar Mayer & Co., Inc., has filed a registration statement for $3,000,000 fifteen year 3¼% debentures, due Oct. 1, 1958.

Address—1241 Sedgwick Street, Chicago.

Business—Engaged in the meat packing and provision business.

Underwriting—A. G. Becker & Co., Inc., Chicago, head the group of underwriters. Others will be supplied by amendment.

Offering—Offering price to the public will be supplied by amendment.

Proceeds—Net proceeds will be used to prepay the 2⅝% notes, maturing serially to 1951, of the company, in the principal amount of $2,025,000, held by the First National Bank of Chicago and First Wisconsin National Bank of Milwaukee, requiring, exclusive of interest, the sum of $2,050,312. The remainder of net proceeds will be used by the company to carry additional receivables and inventories and larger bank balances, to reduce the necessity for current borrowings, and to pay current liabilities.

Registration Statement No. 2-5217. Form A-2. (9-22-43).

WEDNESDAY, OCT. 13

GLOBE-WERNICKE CO.

Globe-Wernicke Co. has filed a registration statement for $650,000 4½% first mortgage bonds to be dated Oct. 1, 1943 and due Oct. 1, 1953.

Address—5025 Carthage Avenue, Norwood, Ohio.

Business—Manufacturer of office furniture, filing equipment, stationers goods and filing supplies.

Underwriting—W. E. Hutton & Co., of Cincinnati is named underwriter.

Offering—Price to the public will be supplied by amendment.

Proceeds—Proceeds from issue and sale of the bonds will be used, together with other funds of the company, to retire in full the presently outstanding $651,100 principal amount of 6% first mortgage sinking fund bonds due Oct. 1, 1944 on Jan. 1, 1944.

Registration Statement No. 2-5218. Form S-2. (9-24-43).

THURSDAY, OCT. 14

DELAWARE POWER & LIGHT CO.

Delaware Power & Light Co. as constituted after the merger into it of Eastern Shore Public Service Co., Delaware, has filed a registration statement covering $15,000,000 first mortgage and collateral trust bonds 3% series to be dated Oct. 1, 1943, and due Oct. 1, 1973, and 40,000 shares of preferred stock, cumulative, par $100 per share. The dividend rate on the preferred stock is to be named by bidders when issue is offered for competitive bidding, but is not to exceed 4.4%.

Address—600 Market Street, Wilmington, Del.

Business—Is a public utility operating in the State of Delaware.

Underwriting—The bonds and stock are to be offered by the company for sale at competitive bidding and the names of the underwriters will be supplied by amendment.

Offering—Offering price of the bonds and preferred stock to the public will be furnished by post-effective amendment.

Proceeds—Net proceeds from the sale of bonds and preferred stock, together with a portion, to the extent necessary, of $6,287,063 cash received from the United Gas Improvement Co., parent of the company, in connection with the issue and sale of common stock of Delaware to U. G. I., will be applied to redeem indebtedness and preferred stocks of Delaware Power & Light Co., Eastern Shore Public Service Co. to be merged into Delaware and Maryland Light & Power Co. aggregating $24,822,913.

Registration Statement No. 2-5219. Form S-1. (9-25-43).

SATURDAY, OCT. 16

CHICAGO & SOUTHERN AIR LINES, INC.

Chicago & Southern Air Lines, Inc., has filed a registration statement for 107,989 shares of common stock, no par value. Of the shares registered, 60,000 shares, to be evidenced by voting trust certificates registered under a separate registration statement—see statement below—are to be offered by or through underwriters at a proposed maximum public offering price not exceeding $16 per share and not exceeding in the aggregate $960,000; and 47,989 shares are registered for issuance, pursuant to options, at $8 per share, being an aggregate public offering price of $383,912.

Address — Municipal Airport, Memphis, Tenn.

Business—Operates as an air carrier of passengers, mail and express between Chicago, Ill., and New Orleans, La., and between Memphis, Tenn., and Houston, Texas.

Underwriting — Principal underwriters named are Kebbon, McCormick & Co., Chicago, and I. M. Simon & Co., St. Louis.

Offering—Offering price to the public will be supplied by amendment. A new voting trust under which the common shares registered will be offered will be dated Oct. 1, 1943. The old voting trust will be terminated prior to or concurrently with the delivery of common stock to the underwriters.

Proceeds—The net proceeds may be applied to any one or more of the following purposes: Purchase of additional equipment to be used on present routes or on proposed new routes; payment or reduction of present bank loans; for working capital or other corporate purposes.

Registration Statement No. 2-5220. Form S-2. (9-27-43).

CHICAGO & SOUTHERN AIR LINES, INC.

Carleton Putnam, voting trustee, has filed a registration statement for voting trust certificates under voting trust agreement dated Oct. 1, 1943, for 500,000 shares of common stock, no par value, of Chicago and Southern Air Lines, Inc.

Address — Municipal Airport, Memphis, Tenn.

Business—Voting trust.

Underwriting — See registration statement above. Carleton Putnam, sole voting trustee, is president and a director of the company.

Offering—As soon as practicable after the effective date of the registration statement. Under the terms of the voting trust agreement there may be deposited thereunder any authorized shares of the capital stock of the corporation. It is also proposed to offer to the public voting trust certificates representing an aggregate of 60,000 shares of common stock as shown in statement above and voting trust certificates will be offered to persons exercising stock purchase options and acquiring shares of common stock pursuant thereto. The offer to holders of common stock to deposit stock under the agreement will terminate Oct. 1, 1944, unless extended by the voting trustee.

Registration Statement No. 2-5221. Form F-1. (9-27-43).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AMERICAN EXPORT AIRLINES, INC.

American Export Airlines, Inc., has filed a registration statement for 43,888 shares of capital stock, par value $3 per share.

Address—25 Broadway, New York.

Business—Is now engaged in air transport operations between the United States and Europe, and conducts operations between the United States and certain military bases in the Caribbean and South America under contract with the Navy.

Underwriting—No underwriters.

Offering—The shares are issuable upon the exercise of capital stock purchase warrants of the airlines company attached to 7,900 shares of 5% cumulative preferred stock of its parent, American Export Lines, Inc., a steamship company. The warrants are exercisable by the transfer to the airlines company of the shares of preferred stock attached to the warrants in payment of the purchase price. At the date of the prospectus holders of preferred stock of the steamship company are entitled to receive 5 5/9 shares at the price of $18 per share for each share of the steamship company preferred stock.

Purpose—Upon the exercise of any warrants the airlines company is required to surrender to the steamship company all shares of preferred stock of the steamship company it may acquire, and each share of preferred is to be paid for by cancelling $100 of the indebtedness owed by the airlines company to the steamship company. The steamship company sold privately in 1940 10,000 shares of its preferred stock with warrants of the airlines company attached and advanced the gross proceeds of the sale, $1,000,000, to the airlines company. The steamship company through the sinking fund provision is retiring 2,100 shares of the preferred stock so that warrants attached to these shares become void.

Registration Statement No. 2-5203. Form S-1. (8-19-43).

Amendment filed Sept. 4, 1943, to defer effective date.

ATLANTA GAS LIGHT CO.

Atlanta Gas Light Co., a subsidiary of Consolidated Electric & Gas Co., filed a registration statement with the SEC, for $7,500,000 of first mortgage bonds, series due 1963, and 20,000 shares of 5% cumulative preferred stock, par value $100 a share, on which sealed bids will be asked.

Address—243 Peachtree St., Atlanta, Ga.

Business—Company is an operating utility company engaged primarily in the business of purchasing, distributing and selling natural gas in 20 municipalities in Georgia, and manufacturing, distributing and selling artificial gas in five municipalities in Georgia and two in South Carolina. Incidental to the promotion of its business, the company also engages in the merchandising of gas appliances. It has been engaged in the sale of gas continuously since 1856, except when its plant was damaged during the Civil War.

Proceeds—Net proceeds, exclusive of accrued interest and dividends, will be applied to the extent that funds are available to the redemption of $5,875,000 principal amount of general mortgage bonds, series due 1955, 4½%, at 104, and $2,150,000 principal amount of general mortgage bonds, 3½%, series due 1961, at 104½, and to the redemption of 13,000 shares of 6% cumulative preferred stock at $110 a share.

Underwriting—To be filed by amendment.

Registration Statement No. 2-5211. Form S-1. (8-31-43).

CALIFORNIA ELECTRIC POWER CO.

California Electric Power Co. has registered $16,000,000 first mortgage bonds, 3¾% Series due 1968, and 40,000 shares 5¼% convertible prior preferred stock, par value $100 per share.

Address—3771 Eighth Street, Riverside, Cal.

Business—Engaged in the generation, transmission, distribution and sale of electric energy.

Underwriting—Principal underwriter for the bonds is Dillon, Read & Co., New York, and for the preferred stock Stone & Webster and Blodget, Inc., and Bosworth, Chanute, Loughridge & Co., Denver. Other underwriters will be named by amendment.

Offering—Price of both bonds and prior preferred stock will be supplied by amendment.

Proceeds—Proceeds, together with funds received by the company from the sale of certain of its electric properties, will be used to redeem all of the first trust mortgage gold bonds, 5% series of 1956 to be outstanding after giving effect to the surrender of certain bonds in the face amount of $641,300. Balance of proceeds will be used to pay the balance then due on the 3% installment note held by Bank of America National Trust & Savings Association. Upon the payment of such note, $641,000 face amount of the company's first mortgage trust gold bonds pledged by the company as security for such note will be surrended for cancellation.

Registration Statement No. 2-5172. Form S-1. (6-29-43).

Amendment filed Sept. 11, 1943, to defer effective date.

CENTURY SHARES TRUST

Century Shares Trust, of Boston, an open-end diversified investment company, has registered 200,000 shares which are to be offered to the public at the liqudating value then in effect, plus a loading charge of 7% of the offering price (approximately 7.5% of the liquidating value).

Address—30 Federal Street, Boston.

Business—The principal object of the trust is to enable investors to acquire through purchase of its shares, a security of moderate price which will be readily marketable, and which will represent an investment in a diversified list of shares of insurance companies, banks and trust companies.

Underwriting—Harriman Ripley & Co., Inc., principal underwriter.

Offering—The present offering comprises 200,000 shares authorized by the Trustees on July 20, 1943, for sale for cash to Harriman Ripley & Co., Inc., from time to time at the liquidating value of outstanding shares.

Proceeds—The Trust would receive $5,654,000 from the sale of these shares if the liquidating value remained the same as on July 20, 1943.

Registration Statement No. 2-5208. Form S-5. (8-27-43).

Amendment filed Sept. 10, 1943, to defer effective date.

CROWLEY, MILNER & CO.

Crowley, Milner & Co. have filed a registration statement for certificates of deposit for $996,500 5½% sinking fund debentures, due 1946.

Address—Monroe Avenue and Farmer Street, Detroit, Mich.

Business—Character of business done by original issuer is a department store and general mercantile business, at retail.

Underwriting—Company has engaged the services of H. M. Preston & Co., Chicago, as its readjustment manager.

Offering—Call for deposit of bonds under plan of debenture adjustment.

Purpose—Purpose of requesting deposits is to ask depositors to consent to an extension of the maturity date of the authorized 5½% debentures from May 1, 1946, to Oct. 31, 1952 and various modifications of the indenture. See Registration Statement No. 2-5176.

Registration Statement No. 2-5175. Form D-1. (7-5-43).

Stop order proceedings discontinued and registration statement withdrawn Aug. 3, 1943.

CROWLEY, MILNER & CO.

Crowley, Milner & Co. have filed a registration statement for $996,500 5½% sinking fund debentures as extended to 1952 and $1,245,600 4% debentures due 1962.

Address—Monroe Avenue and Farmer Street, Detroit, Mich.

Business—Department store and general mercantile business, at retail.

Purpose—Company proposes a plan of debenture adjustment and a plan of capital stock readjustment. The 5½% debentures as extended to 1952 are to be issued through certificates of deposit to holders of old 5½% sinking fund debentures due 1946 under plan of debenture adjustment, extending maturity date and modifying indenture provisions. The 4% debentures will be issued in exchange for 31,140 shares of $50 par prior preference stock on basis of $40 face amount of debentures plus $10 in cash for one share of stock under plan of capital stock readjustment.

Registration Statement No. 2-5176. Form S-1. (6-30-1943).

Stop order proceedings discontinued and registration statement withdrawn Aug. 3, 1943.

COLORADO MILLING & ELEVATOR CO.

Colorado Milling & Elevator Co. has filed a registration statement for 70,000 shares of cumulative convertible preferred stock, without par value, and 269,231 shares of common stock, par $1, representing shares reserved for issuance upon conversion of the cumulative convertible preferred stock. The dividend rate on preferred stock will be filed by amendment.

Address — Equitable Building, Denver, Col.

Business—Engaged directly and through subsidiaries in the business of manufacturing and selling flour, meal, feed and related products and of buying and selling wheat, other grains, beans, coal and miscellaneous merchandise. Also engaged in business of storing, grinding, sacking and cleaning beans, grains and other commodities for farmers and others.

Underwriting — Principal underwriters are Union Securities Co., N. Y.; Boettcher & Co., Denver; Bosworth, Chanute, Loughridge & Co., Denver; Paul H. Davis & Co., Chicago, and Hornblower & Weeks, N. Y.

Offering—Offering price to the public will be supplied by amendment.

Proceeds—Proceeds from the sale of the stock, together with the net proceeds to be received from the sale of $3,000,000 of 15-year 4% sinking fund debentures, proposed to be sold privately, are to be used to redeem on or before Oct. 15, 1943, the presently outstanding $6,500,000 5% convertible debentures due June 1, 1968.

Registration Statement No. 2-5196. Form A-2. (8-6-43).

Company in amendment filed Aug. 20, 1943, fixes the dividend rate on the preferred stock at $3.

The SEC hearings scheduled for Sept. 14, 1943, on stop order proceedings have been postponed subject to call by the trial examiner.

CROWN CAPITAL CORPORATION

Crown Capital Corporation has filed a registration statement for 250,000 shares of common stock, Class A, and 6,900 shares of common stock, Class B.

Address—100 West Tenth Street, Wilmington, Del.

Business—Formed on Jan. 2, 1942, for the purpose of organizing subsidiaries to engage in the small loan or personal finance business.

Underwriting—Hodson & Co., Inc., New York, is named principal underwriter.

Offering—Company has entered into an agreement with Hodson & Co., Inc., pursuant to which the latter has agreed to use its best efforts, as agent of the corporation, to effect the sale of 250,000 shares of common stock Class A and 6,900 shares of common stock Class B at prices to be filed by amendment. Hodson & Co., Inc., is not obligated to purchase any part of the stock.

Proceeds—Corporation intends to apply the net proceeds from the sale of stock toward the repayment of the balance due on a loan procured from a finance company, which amounted to $35,000 on July 31, 1943. Balance of proceeds will be placed in the general funds of the company.

Registration Statement No. 2-5202. Form S-1. (8-18-43).

Amendment filed Sept. 16, 1943, to defer effective date.

DOYLE MACHINE & TOOL CORP.

Doyle Machine & Tool Corp. has registered 36,000 shares of common stock, $1 par value.

Address — 320-6 West Taylor Street, Syracuse, N. Y.

Business—Engaged in the manufacture of machinery, tools and parts.

Underwriting—None stated.

Offering—In connection with public offering of 113,004 shares of common stock in October, 1940, common stock purchase warrants for an aggregate of 36,000 shares of such common stock were delivered to the underwriters of the 113,004 shares in proportion to their subscriptions. Each warrant gives the holder the right to purchase the number of shares named therein at $4 per share. The warrants are exercisable on or before Aug. 31, 1943. In anticipation of the presentation of warrants for exercise company is registering 36,000 shares of common reserved for issue upon such exercise.

Proceeds—Will be added to the present cash balances of the company and used for general corporate purposes.

Registration Statement No. 2-5194. Form S-2. (8-3-43).

Amendment filed Sept. 4, 1943, to defer effective date.

DRAKE TOWERS, INC.

W. L. Cohrs, John P. Hooker, E. A. Tittle, John T. Wheeler and F. Hampden Winston as trustees have filed a registration statement for voting trust certificates for 28,209 shares of common stock, par $1 per share, of Drake Towers, Inc.

Address—Principal office Room 1730, 23 South Clark Street, Chicago.

Business—Apartment building located at 171-179 Lake Shore Drive, Chicago.

Underwriting—None.

Offering—As soon as practicable after registration statement becomes effective.

Purpose—The securities are presently subject to a stock trust agreement which expires Oct. 1, 1943. It is proposed to extend the agreement, as amended, to Oct. 1, 1953.

Registration Statement No. 2-5204. Form F-1. (8-20-43).

Registration statement effective 3:15 p.m. EWT on Sept. 4, 1943.

FIDUCIARY COUNSEL, S. A., INC.

Fiduciary Counsel, S. A., Inc., has registered 20,000 shares of 4% non-cumulative preferred stock, par $100 per share; 20,000 shares of no par Class A common and 20,000 shares of no par Class B common.

Address — 1025 Connecticut Avenue, Washington, D. C.

Business — Was incorporated on June 26, 1943, under the laws of the State of Delaware. It is proposed to engage in one or more of following activities: Assist North American enterprises to expand their activities in South American countries; act as advisors to North American and South American companies in helping solve their Central and South American financial, engineering, production and marketing problems; handle for North and South American manufacturers the distribution of their goods in South America; manufacture and sell products in South America and Central America as agent of North American manufacturers of such products; invest in real estate, commodities and business enterprises in North, Central and South America or perhaps elsewhere.

Underwriting—The offering will not be made through underwriters or dealers but will be made directly by the company.

Offering—The preferred stock is to be sold at its par value of $100 per share and the shares of Class A and Class B common are to be sold at $1 per share respectively. Shares of Class A and B can only be purchased as part of and together with the purchase of an equal number of shares of preferred stock.

Proceeds—For working capital.

Registration Statement No. 2-5193. Form S-1. (8-2-43).

FINANCIAL INDUSTRIAL FUND, INC.

Financial Industrial Fund, Inc. has registered 300,000 fund shares.

Address—650 Seventeenth Street, Denver.

Business—Diversified investment fund.

Underwriters—None.

Offering—At market. Approximate date of proposed public offering Aug. 17, 1943.

Proceeds—For investment.

Registration Statement No. 2-5188. Form S-5. (7-28-43).

Registration statement effective 5:30 p.m. EWT on Sept. 13, 1943.

FINANCIAL INDUSTRIAL FUND, INC.

Financial Industrial Fund, Inc., has filed a registration statement for 600 cumulative (full-paid) investment certificates calling for the purchase of Financial Industrial Fund shares in the amount of $600,000; 950 systematic (periodic payment) investment certificates providing for total payment of $1,140,000, and 50 systematic investment certificates (with insurance) providing for total payments of $60,000.

Address—650 Seventeenth Street, Denver.

Business—Diversified investment fund.

Underwriting—None.

Offering—Proposed maximum offering price to the public of the securities being registered is $1,800,000. Approximate date of proposed public offering is Aug. 17, 1943.

Proceeds—For investment.

Registration Statement No. 2-5189. Form S-6. (7-28-43).

Registration statement effective 5:30 p.m. EWT on Sept. 13, 1943.

FLORIDA POWER & LIGHT CO.

Florida Power & Light Co. registered with SEC $45,000,000 First Mortgage bonds, due Oct. 1, 1971; $10,000,000 Sinking Fund Debentures, due Oct. 1, 1956; and 140,000 shares Cumulative Preferred Stock, $100 Par. Interest rates on the Bonds and Debentures, and the dividend rate on the preferred stock, will be supplied by amendment

Address—25 S. E. Second Ave., Miami, Fla.

Business—This subsidiary of American Power & Light (Electric Bond & Share System) is an operating public utility engaged principally in generating, transmitting, distributing and selling electric energy (also manufacture and sale of gas), serving most of the territory along the east coast of Florida (with exception of the Jacksonville area), and other portions of Florida

Underwriting and Offering—The securities registered are to be sold by company under the competitive bidding Rule U-50 of the SEC's Public Utility Holding Company Act. Names of underwriters and price to public, will be supplied by post-effective amendment to registration statement

Proceeds will be applied as follows: $53,170,000 to redeem at 102¼, the $52,000,000 of company's First Mortgage 5s of 1954; $15,693,370 to redeem at $110 per share, the 142,667 shares of company's $7 preferred stock, no par. Further details to be supplied by post-effective amendment

Registration Statement No. 2-4845. Form A2. (9-17-41)

Amendment filed Sept. 13, 1943, to defer effective date.

INDIANA STEEL PRODUCTS CO.

Indiana Steel Products Co., has filed a registration statement covering 30,000 shares of 6% convertible preferred stock, $20 par value, and 75,000 shares of common stock, $1 par value (reserved for conversion of 6% convertible preferred stock). By an agreement dated July 9, 1943, between the company and the underwriters, the company has agreed to sell the preferred stock to them at $18 a share.

Address — 6 North Michigan Avenue, Chicago.

The company is the largest exclusive manufacturer of permanent magnets in the United States and distributes its product directly to manufacturers of products in which permanent magnets are a component part. Among such products are: radio and sound equipment, electrical instruments, temperature and pressure controls, polarized relays, Arc back indicators, voltage regulators, traffic signal controls, magnetos, generators, etc.

Underwriters—Brailsford & Co., Chicago, and Kalman & Co., St. Paul, Minn.

Offering price to the public of the preferred stock, $20.00 a share.

Proceeds—Net proceeds from the sale of the preferred stock, estimated at $531,230 after expenses, will be used for working capital. In the opinion of the management, additional capital is required in connection with expanded production incidental to war program, and in the anticipated expanded peace time business.

Holders of the preferred stock may at their option convert such shares from date of issue to and including Dec. 31, 1946, at the rate of 2½ shares of common stock for each share of preferred stock so converted, and after that date, at the rate of two shares of common for each share of preferred.

Registration Statement No. 2-5206. Form S-2. (8-25-43).

Amendment filed Sept. 11, 1943, to defer effective date.

KANSAS-NEBRASKA NATURAL GAS CO., INC.

Kansas-Nebraska Natural Gas Co., Inc., has filed a registration statement for 12,500 shares of $5 cumulative preferred stock, without par value.

Address—Phillipsburg, Kan.

Business—Is an operating public utility company engaged in the purchase, primarily, of natural gas in the State of Kansas, and in its transmission and wholesale and retail distribution in the States of Kansas and Nebraska.

Underwriting — Underwriters are First Trust Co. of Lincoln, Neb., 5,625 shares; Beecroft, Cole & Co., Topeka, Kan., 2,250; Harold E. Wood & Co., St. Paul, 1,875; United Trust Co., Abilene, Kan., 1,500; Rauscher, Pierce & Co., Dallas, 625 and Bigelow-Webb, Inc., Minneapolis, 625 shares.

Offering—Offering price to public $105 per share plus accrued dividends.

Proceeds—of the net proceeds, estimated at $1,275,000, the retirement of the company's outstanding 9,824 shares of $6 cumulative preferred stock at $105 per share will require $1,031,520. All of the $6 preferred stock has been called for redemption on Sept. 15, 1943. Balance of net proceeds, estimated at $243,000, will be added to the company's working capital.

Registration Statement No. 2-5186. Form S-1. (7-24-43).

Registration statement effective 5:30 p.m. EWT on Aug. 16, 1943.

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 100,000 shares of full certificates of participation, Keystone Custodian Fund, Series "B-2".

Address—50 Congress Street, Boston.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., is named sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5167. Form C-1. (6-29-43).

Registration statement effective 5:30 p.m. EWT on Aug. 4, 1943.

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 100,000 shares full certificates of participation, Keystone Custodian Fund, Series "K-2".

Address—50 Congress Street, Boston.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5168. Form C-1. (6-29-43).

Registration statement effective 5:30 p.m. EWT on Aug. 4, 1943, as of 5:30 p.m. EWT July 18, 1943.

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 25,000 shares, full certificates of participation, Keystone Custodian Fund, Series "S-1".

Address—50 Congress Street, Boston.

Business—Investment trusst.

Underwriting — Keystone Custodian Funds, Inc., sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5169. Form C-1. (6-29-43).

Registration statement effective 5:30 p.m. EWT on Aug. 4, 1943, as of 5:30 p.m. EWT July 18, 1943.

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement for 500,000 shares of full certificates of participation, Keystone Custodian Fund, Series "S-2".

Address—50 Congress Street, Boston.

Business—Investment trust.

Underwriting — Keystone Custodian Funds, Inc., sponsor.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5170. Form C-1. (6-29-43).

Registration statement effective 5:30 p.m. EWT on Aug. 4, 1943.

NATIONAL SECURITIES & RESEARCH CORPORATION

National Securities & Research Corporation has filed a registration statement for 40,716 shares in First Mutual Trust Fund.

Address—120 Broadway, New York City.

Business—Investment trust.

Underwriter—National Securities & Research Corporation, sponsor.

Offering—Will be continuous and the offering price will vary with the value of a share, which value in turn will vary with the value of the underlying securities in the trust fund.

Proceeds—For investment.

Registration Statement No. 2-5163. Form C-1. (6-28-43).

Registration statement effective 5:30 p.m. EWT on Aug. 4, 1943.

NATIONAL SECURITIES & RESEARCH CORPORATION

National Securities & Research Corporation has filed a registration statement for 16,631 shares of National Securities Series.

Address—120 Broadway, New York City.

Business—Investment trust.

Offering—Effective date of registration statement.

Proceeds—For investment.

Registration Statement No. 2-5164. Form C-1. (6-28-43).

Registration statement effective 5:30 p.m. EWT on Aug. 4, 1943.

NETHERLANDS HOTEL

Helen Harrington has filed a registration statement for $564,000 10-year first mortgage income bonds of the Netherlands Hotel.

Address—Netherlands Hotel property is located at 3831-39 Main Street, Kansas City, Mo.

Business—Hotel and apartments.

Offering—First mortgage bonds were originally issued on Nov. 1, 1927, by McCanles Building Company in the amount of $600,000. $36,000 of the aggregate principal amount has been paid, leaving $564,000 face amount of bonds unpaid and in default. It is proposed that the new bonds aggregating $564,000 face amount will be exchanged for the present bonds now outstanding together with interest coupons attached or appertaining to the same. In effecting the exchange each bondholder will make the exchange on the same basis as every other bondholder. None will be sold for cash or other property and exchange will be made only with bondholders.

Underwriting—There are no underwriters of any of the bonds.

Purpose—To effect exchange of bonds.

Registration Statement No. 2-5191. Form S-1. (7-31-43).

PACIFIC MUTUAL LIFE INSURANCE CO. OF CALIFORNIA

A. C. Balch, F. E. Rand and Leslie Waggener as the Pacific Mutual Shareholders Protective Committee have filed a registration statement with the SEC for voting trust certificates for 508,200 shares of common stock, par $1 per share, of Pacific Mutual Life Insurance Co. of California.

Address — Of issuer, 626 South Spring St., Los Angeles, Cal. Executive office, 523 West Sixth St., Los Angeles, Cal.

Business—Life insurance.

Purpose—The agreement places no limitation upon the powers of the committee to vote the shares held by it. However, one of the main objectives of the committee is to vote the securities held by them in connection with the said so-called plan and agreement of rehabilitation and reinsurance and mutualization affecting the Pacific Mutual Life Insurance Co. of California.

Registration Statement No. 2-5098. Form F-1. (2-19-43).

Amendment filed Sept. 11, 1943, to defer effective date.

PITTSBURGH METALLURGICAL CO., INC.

Pittsburgh Metallurgical Co., Inc., has filed a registration statement for 25,073 shares of common stock, par value $10 a share. The company is offering, without underwriting, to its stockholders of record at the close of business Aug. 5, 1943, these shares on the basis of one share of such additional common stock for each 4 shares of stock held by each stockholder on such record date. In case a stockholder's allotment on this basis is, or includes, a fraction of a share, he will be entitled to subscribe to one whole share in lieu of such fraction.

Address—3801 Highland Avenue, Niagara Falls, N. Y.

Business—Engaged in the production in electric furnaces of alloys which are used in the production of alloy steel, alloy castings and magnesium metal. Such alloys are principally ferro-silicon, silico-manganese, and ferro-chromium. The company also manages the Charleston plant of the Defense Plant Corporation.

Underwriting—None.

Proceeds—Net proceeds will be applied to the payment of the principal of certain notes due the Commercial National Bank and Trust Co., of New York, as they mature, or may, in the discretion of the board of directors, be applied to the prepayment of the principal prior to maturity. The company borrowed $500,000, represented by ten promissory notes, to finance the construction and equipment of its Charleston plant. Of this sum, $200,000 has been paid off and three $100,000 installments are due on the 1st of May, 1944, 1945 and 1946.

Registration Statement No. 2-5209. Form S-2. (8-27-43).

Amendment filed Sept. 10, 1943, to defer effective date.

POPE & TALBOT, INC.

Pope & Talbot, Inc., San Francisco, have registered with the SEC 200,000 shares of common stock, $10 par value, which are to be sold by the present owners of this already issued and outstanding stock.

Address—2700 Russ Bldg., San Francisco, Calif.

Business—The primary business of the company is manufacturing and marketing lumber and lumber products, and operating a fleet of steam cargo ships as a common carrier in Pacific coastwise and intercoastal trade. The company also is in the business of selling cut over timber land owned by it in the Pacific Northwest.

Proceeds—Will go to the present owners of the 200,000 shares.

Underwriting—Blyth & Co., Inc., and Dean Witter & Co.

Offering—Of the authorized 800,000 common stock shares, 799,969 are held by a number of individuals. The 200,000 being offered will be sold by some of these, and their identity will be disclosed in an amendment to be filed later.

Registration Statement No. 2-5210. Form A-2. (8-28-43).

Amendment filed Sept. 15, 1943, to defer effective date.

RIVERSIDE MILLS

Riverside Mills has registered $639,000 5½% first mortgage bonds, dated Feb. 15, 1943, due Feb. 15, 1963.

Address—Augusta, Ga.

Business—Company devotes its activity almost entirely to cotton textile by-products or waste.

Underwriting—No formal underwriting agreement has been entered into covering the exchange offered.

Offering—Under a plan of reorganization Riverside Mills offers to the holders of its preferred stock in exchange therefor $120 par value in first mortgage 5½% bonds, plus $2.625 in cash for each share of its preferred stock, provided that 75% in amount of the issued and outstanding preferred stock accept the same and tender their stock in exchange on or before Sept. 1, 1943 (but extended by the board to Dec. 31, 1943). The bonds of this issue shall only be exchanged for preferred stock or sold to raise money to purchase and retire preferred stock or to reimburse the company for preferred stock which it may purchase before plan becomes effective, and which it does not retire and shall not be disposed of for any other purpose. Should company acquire an amount of bonds not exceeding $120,000 through the exchange of preferred stock purchased by it, Johnson, Lane, Space & Co., Inc. has agreed to buy any such bonds which Riverside Mills desires to sell at not less than $83.50 per $100 par value and accrued interest.

Purpose—For reorganization.

Registration Statement No. 2-5165. Form S-1. (6-28-43).

Registration statement effective 3 p.m. EWT on Sept. 1, 1943 as of 5:30 p.m. EWT July 17, 1943.

STOKELY BROS. & CO., INC.

Stokely Bros. & Co., Inc., has registered with the SEC 106,050 shares of common stock, $1 par value, and 42,925 shares of 5% cumulative prior preference stock, $20 par value, which are being offered under an exchange plan to the holders of common and preferred stocks of its subsidiary, Stokely Foods, Inc.

Address—941 N. Meridian St., Indianapolis, Ind.

Business—Selling fruits, fruit juices and vegetables which are processed and packed for it by its subsidiaries.

Underwriting—None.

Offering—The company offers to holders of common stock of Stokely Foods, Inc., 50-cent par value a share, one share of its $1 par value common stock in exchange. Holders of the $1.50 cumulative dividend preferred stock of Stokely Foods, Inc., are given the right to exchange four of such shares for each five shares of the company's 5% cumulative prior preference stock, $20 par value. The Sept. 1, 1943, dividend on the preferred stock of Stokely Foods, Inc., has not been declared. Any shares of such preferred stock of that company exchanged after the close of business Sept. 30, 1943, will not be entitled to receive the dividend on the 5% cumulative prior preference stock of Stokely Brothers & Co., Inc., which has been declared payable Oct. 1, 1943, to holders of record at the close of business Sept. 30, 1943.

Registration Statement No. 2-5212. Form S-1. (9-3-43).

Registration statement effective 5:30 p.m. EWT on Sept. 23, 1942.

TRANS-OCEANIC AIR LINES, INC.

Trans-Oceanic Air Lines, Inc., has registered 300,000 shares of Class "A" voting stock without par value.

Address—Du Pont Building, Wilmington, Del.

Business—Organized under laws of State of Delaware on Feb. 9, 1943, under leadership of Captain Thomas G. Smith, by a group of Air Force Ferry Command pilots, now engaged in trans-Atlantic operations of a strictly military nature. The contemplated activities of the corporation are essentially of a peacetime nature, and will include the transportation by air or partly by land and water and partly by air of passengers, mails and freight and express of every kind through maintenance of commercial air lines and services in all parts of the world.

Underwriting—No underwriters.

Offering—To accomplish that objective subscriptions to the stock initially offered will be limited to the active operating personnel of the corporation consisting of flight crews, officials and department heads of the corporation. Initial offering will be limited to 250,000 shares, at a price of $1 if paid in United States currency and $1.10 a share if paid in Canadian currency.

Proceeds — For organization expenses, working capital and investments.

Registration Statement No. 2-5192. Form S-2. (7-31-43).

Amendment filed Sept. 4, 1943, to defer effective date.

UNION LIGHT, HEAT AND POWER COMPANY

Union Light, Heat and Power Co. registered 25,000 shares $100 par common stock

Address—4th & Main St., Cincinnati, Ohio

Business — Operating electric utility company

Underwriter — Columbia Gas & Electric Corp.

Offering—Stockholders will receive offer to subscribe to 25/94ths of one common share in units of 5/94ths of a share for each 5/94ths of a share held at $5.3 for each unit. On a share basis, stockholders may subscribe to 5 new shares for each share held at $100.016 per share. Substantially all outstanding stock is held by Columbia Gas & Electric Corp.

Proceeds—To repay current debt and $2,835,000 first mortgage bonds held by parent and associated companies, and for construction costs

Registration Statement No. 2-4379. Form A-2. (3-30-40)

Amendment filed Sept. 9, 1943, to defer effective date.

(This list is incomplete this week)

Interesting Situation

Preferred stock of the Peoples Light & Power Co. offers an interesting situation according to a memorandum being distributed by Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange. Copies of this memorandum may be had from Ira Haupt & Co. upon request.

H. B. Wyeth Visiting N. Y.

Harry B. Wyeth, Jr., president of Wyeth & Co., 647 S. Spring Street, Los Angeles, Calif., members of the Los Angeles Stock Exchange, is visiting in New York City where he will remain for about one week. He is making his headquarters at the firm's office at 40 Wall Street.

Senate Group Delays Post-War Proposals

A subcommittee of the Senate Foreign Relations Committee has under consideration several resolutions regarding post-war policy, including the House-approved Fulbright resolution, but has postponed action pending further study. It is reported that the Senate will pass a measure of its own compromising various proposals.

In Associated Press Washington accounts of Sept. 23, the following was reported.

Senator Guy M. Gillette (Dem., Iowa) predicted the committee would act within "three or four weeks" on a resolution of its own. He said that there was some feeling in the Senate that the House had gone out of bounds in passing the Fulbright measure.

Senator Gillette told reporters that while he welcomed the House action he believed the Senate would desire to pass a resolution of its own. The Senate holds the constitutional authority to advise the President in the negotiation of treaties, which cannot become effective until ratified by a two-thirds vote of the Senate.

Senator Hatch (Dem., N. M.) who is not a member of the committee, told reporters he regarded the House-approved Fulbright measure as unsatisfactory because it lacks a definite pledge to use military force to prevent future aggression.

The Fulbright proposal would put Congress on record merely as favoring United States participation in "appropriate international machinery" with power adequate to maintain peace.

The proposal to use military force is the keynote of a resolution offered by Senator Hatch and Senators Hill (Dem., Ala.), Ball (Rep., Minn.) and Burton (Rep., Ohio) which the subcommittee is considering. Their resolution, the Fulbright measure, and other pending proposals appear likely to give way in the committee to a compromise statement expected to be offered later by Senator Connally (Dem., Tex.) chairman of the full committee.

Passage of the Fulbright resolution was noted in these columns of Sept. 23, page 1192.

Further Newsprint Cut

The War Production Board on Sept. 28 ordered a further cut in consumption of newsprint by newpapers during the fourth quarter of this year said Associated Press advices from Washington on Sept. 28, and from which we also take the following:

H. M. Bitner, director of W. P. B.'s printing and publishing division, said the reductions in permissible total usage would become effective Oct. 1. Required reductions will be figured on a sliding scale in combination with previously ordered slashes. Smaller users will not be so drastically curtailed as publishers using 500 tons or more a quarter, who will be required to cut a full 10% from the base total calculated on 103% of net paid circulation. The new order again exempts users of less than 25 tons a quarter.

The sliding scale for calculating reductions ranges from 5% for users of 50 tons to a full 10% for users of 500 tons or more a quarter.

The newsprint reduction ordered today is the third limitation on allowable usage. Last January, publishers were restricted to quarterly allotments equal to 100% of the tonnage needed to print the 1941 net paid circulation, plus 3% allowance for spoilage. This 103% of 1941 net paid circulation requirements remains the base on which the new restrictions are calculated.

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Bill In Congress To Retain State Control Of Fire Ins. Companies Backed By Underwriters

The National Board of Underwriters announced on Sept. 27 the position of the nation's fire insurance companies with respect to efforts of the anti-trust division of the Department of Justice to apply the anti-trust laws to the business, said the New York "Times" of Sept. 28, which also said:

Among other data, the board has distributed a bill introduced in the United States Senate a week ago today "affirming the intent of the Congress that the regulation of the business of insurance remain within the control of the several States" and that the anti-trust laws "be not applicable to that business."

Identical bills were introduced in the House of Representatives on the preceding day, and both houses referred the bills to their committees on the judiciary. The bills note that the several States, "each as it deems for the best interest of its citizens, do regulate all acts of insurance companies performed within their respective borders" and that "it has not been, nor is it now, the intent or the desire of the Congress to invade the rights of the States or to assume to itself functions which have long been accepted as best performed by the States."

"This proposed legislation is being supported openly and wholeheartedly by fire insurance companies, agents, brokers, and others connected with the insurance business ," the board declares. "It is believed to be in the interest of the established American principle of maintaining the rights of the States to regulate and govern their own affairs.

"There is nothing unusual in these bills. The Supreme Court of the United States has repeatedly held, during a period of 75 years, that the business of insurance is not commerce. Hence it is not subject to Federal anti-trust laws. For over 90 years, insurance has been regulated by the States, each acting to meet local conditions in the way it deems best for its citizens.

Anti-Trust Case Recalled

"The need for Congress to affirm its intention that regulation of insurance remain a matter for the States arises out of the attempts of the anti-trust division of the Department of Justice to apply Federal anti-trust laws to the fire insurance business."

In August of this year the indictment brought against 198 fire insurance companies and some 27 individuals charging them with violation of Federal anti-trust laws, was dismissed by the United States District Court at Atlanta. The Court, according to the Board of Underwriters, "held, as the Supreme Court has done for 75 years, that the business of insurance is not commerce and that the companies have not violated the Sherman Act."

Employee Pension Plan Advantages Outlined

Reflecting the keen public interest in plans providing retirement benefits for employed persons, the Pension Trust Division of the Chase National Bank has published a 92-page book written by two members of its staff, containing comprehensive informaiton about pension, bonus, and profit-sharing systems.

The authors of the book are Esmond B. Gardner, Second Vice-President of the bank, and C. Jerome Weber, Trust Administrator, both of whom are members of the New York Bar. Their study is designed to assist business executives and other employers, attorneys, accountants, insurance brokers, and industrial relations counsellors and others who are interested in employee benefit programs.

From years of practical experience in handling these matters in the trust department of a large bank and from extensive research, Mr. Gardner and Mr. Weber have developed an objective and impartial presentation of the fundamentals of formulating and financing pension plans, with or without a trustee.

Their book tells how a pension plan may be financed by investment in annuity contracts or in securities, and the differences between these methods. It summarizes possible provisions covering employee membership in pension plans, benefits accruing from such plans, and methods of administration. It discusses actuarial factors, operating costs and investment considerations. Deferred compensation plans of the bonus or profit-sharing type also are reviewed.

Copies of the study may be had upon request from the Pension Trust Division of the Chase National Bank, 11 Broad St., New York City.

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Advertising A Constructive Contribution To War Effort Says Commerce Department

Advertising schedules should be maintained by American business firms as a constructive contribution to the war effort, said the Commerce Department in a 96-page booklet just issued. Some of the observations in the booklet issued by the Department were noted as follows in Associated Press advices from Washington:

"The record shows that business has shared this viewpoint. Companies continued to advertise. And they keyed their messages to aiding the Government in its prosecution of the war."

"People had to be informed. Talents used so effectively in creating a desire for goods could with equal effectiveness show how to help win the war.

"At the same time, the Department of Commerce sensed the danger of a gradual decrease or cessation of advertising either by companies that had converted wholly to war production or by those whose civilian output had been curtailed. In either case carefully built brand names, trade marks and goodwill would suffer.

"And so as liaison officer between business and Government, this Department has continually reminded both of the necessity of advertising, not only as a means of maintaining markets but as a mighty force for social good. It is evident in the eyes of Government that advertising has a rightful role in wartime and that it is filling that role successfully."

Report Canadian Crop Harvesting Advanced

In its Sept. 23 crop report, the Bank of Montreal reported that in the Prairie Provinces, harvesing has now been resumed in most areas following a period of intermittent rains. Operations are farthest advanced in Manitoba and in the southern sections of Saskatchewan and Alberta. While widespread frosts have occurred, outturns to date have been of satisfactory quality. The bank's report continued:

"The first estimate of the Dominion Bureau of Statistics places wheat production in the prairies at 279,000,000 bushels, as compared with the final estimate of 565,000,000 bushels in 1942, and coarse grains at 642,600,000 bushels, as compared with 778,700,000 bushels. . . .

"In the Province of Quebec, harvesting operations, which have been retarded by rains, are nearing completion. . . .

"In Ontario, sugar beets, turnips and other roots are making good progress, although the yield of potatoes will be down from earlier forecasts due to late blight and rot. . . .

"In the Maritime Provinces, harvesting of grain is under way, with prospects of a heavy yield in Prince Edward Island and an average yield elsewhere. . . .

"In British Columbia, crops are being garnered satisfactorily despite some labor shortages."

Increased Subsidy Funds Asked By Jones

The Administration drive for expanded farm subsidies was opened on Sept. 29 when Marvin Jones, War Food Administrator, asked Congress to increase the WFA price-support and subsidy authorization of $500,000,000, which would make $1,000,000,000 available for the program.

In reporting this, United Press Washington advices further said:

"He said at a House Banking and Currency Committee hearing that farm production costs are rising and that the Government should stand ready to absorb whatever loss may be necessary.

"The additional authorization requested by Mr. Jones would give the WFA authority to spend more than $1,000,000,000, including present CCC funds, for subsidies and price supports during an indefinite period starting Jan. 1, 1944. The hearing at which Mr. Jones testified was on a bill to extend the life of the CCC beyond the present Dec. 31 expiration date."

Rock Island Interesting

Raymond & Co., 148 State St., Boston, Mass., have prepared an interesting discussion of the reorganization plan proposed for the Rock Island with particular reference to this railroad's general 4s of 1988 and the first refunding 4s of 1934. Copies of this memorandum may be had upon request.

Farnsworth & Electronics

In their October issue of "Highlights" J. F. Reilly & Co., 111 Broadway, New York City, have an interesting discussion of Farnsworth and electronics. Copies of "Highlights" may be had upon request from J. F. Reilly & Co.

Attractive Situation

Buckley Brothers, 1529 Walnut St., Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges, have prepared an interesting memorandum on the common stock of Auto Car, which offers an attractive situation at current levels, the firm believes. Copies of this memorandum may be had from Buckley Brothers on request.

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Wm. S. Thompson Is Ralph Carr Partner

BOSTON, MASS. — William S. Thompson has been admitted to partnership with Ralph F. Carr in Ralph F. Carr & Co., 10 Post Office Square. Mr. Thompson has been with the firm for some time specializing in industrial, textile and street railway stocks.

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The Commercial and
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The Financial Situation

Public discussions during the past week or 10 days indicate clearly that the planners of international, or even global, post-war organizations for the maintenance of peace are still active and hopeful. There is, however, reason to believe that national leaders, who in the first instance must assume responsibility for the formulation of peace terms at the close of hostilities are finding it necessary at length to turn away from vague generalities and revolutionary programs and come to grips with the problems which this very real world presents. Russia, which has done so much and is still doing so much to bring nearer the day when post-war international settlements must be drafted and given effect, has obviously never been overly impressed with the glittering buncombe long so popular in Washington and among many of the professional reformers both here and in Great Britain. It may well be doubted whether the responsible leaders in England have been much more impressed, although for a number of reasons they have been less blunt in making the fact manifest. Word now comes from Washington that even American officials are growing lukewarm toward some of the more ambitious of the programs previously believed to be in favor among some of them at least.

The Reasons

The reasons are not far to seek. Most of the public discussion that has taken place in this country, from the President's four freedoms down, has simply not corresponded with the facts of world politics. As the time approaches for the formulation of the provisions of definitive peace treaties this fact becomes clearer and clearer until even the hopeless idealist is sometimes at last obliged to recognize it. Little or nothing of an official sort is permitted to reach the public about these matters, but it is not difficult to divine that the President and our State Department is finding Mr. Stalin much more interested in boundaries in Eastern Europe and other related subjects than he

(Continued on page 1326)

From Washington Ahead Of The News

By CARLISLE BARGERON

At the recent tax conference which Mr. Roosevelt had with his Congressional leaders—Chairman Doughton of House Ways and Means, Senator George, Chairman of Senate Finance—and Secretary Morgenthau, the old question of compulsory savings came up. Ever since the war, Congress, at least the two tax committee chairmen, have been in favor of compulsory savings. Their point has been that on this basis you could go up to the hilt in taking money out of the pay envelopes, individuals and industry, but in the meantime they would be building up a nest egg for after the war. Morgenthau has been determinedly against it. He has argued that it was un-American to force people to save. Doughton, and to a more aggressive extent, George, have reasoned, that it couldn't be any more un-American than to force the people to pay tremendous taxes. Under the compulsion scheme, George, in particular, figured, the take from the pay envelop would be fairly the same, but the wage earned and industry would get a large part of it back after the war and this would constitute a reservoir of post-war spending.

Morgenthau has steadily fought this, and from some amazing psychological quirk his idea has prevailed. He has called for steadily more taxes figuring that the American people will willingly pay these, but they don't want any compulsory savings, from which they would get their money back, because the American people just don't like compulsion. Be that as it may.

At any rate, this conversation, interesting, hardly enlightening, took place at the Presidential conference:

Mr. Roosevelt dwelt at length upon the Morgenthau theory that the American people did not like compulsion. He added that elections were coming up next year and it was something men in political life should think about.

"How about that, Walter?" he asked, turning to George.

The Georgia Senator hesitated, then replied, in effect:

"Mr. President, inasmuch as both you and I will be running next year, there may be something to what you say."

Roosevelt thought a moment and quipped:

"Well, Walter, I certainly won't be campaigning against you in Georgia again."

Whereupon the whole crowd broke into laughter.

It's not revealing, just interesting.

The plain facts are that George

(Continued on page 1328)

Understanding Through The Annual Report

Enders M. Voorhees Says Social Impossibility Of Many Economic Theories Would Be Obvious If Run Through Double Entry Bookkeeping

Stresses Fact That Wages And Taxes Must In Final Analysis Be Paid By Customers And Views Other Factors Necessary For Future Of Free Enterprise

Enders M. Voorhees, Chairman of the Finance Committee of the United States Steel Corporation, New York, addressing the Twelfth Annual National Meeting of the Controllers' Institute of America at the Waldorf-Astoria in New York City, on Sept. 21, said that "unless we secure in America an understanding of the components of a healthy production and distribution, there can be no future for the enterprise system or for the United States." Mr. Voorhees also said that "corporations are only tax collectors, taking from the customers for the Government"; that it is a fiction "that the shareholders and not the public pay corporate taxes" and "that if the State stepped into our shoes it would be in no better case than we are—for although the items of cost might be shifted and given different names, they would all be present somewhere in the body economic." Excerpts from Mr. Voorhees' address follow:

Enders M. Voorhees

We hear a great deal about production for use as being more desirable than production for what is called profit. Translating that into a simple problem of bookkeeping, we are asked to believe that if everyone produced at less than cost—that is, at a loss—we should all be happier. If we remove the dollar sign from a business loss, it turns out that somebody somewhere has rendered services without getting anything in return. It is scarcely a compliment to us that lack of accounting clarity has made it possible to discuss gravely social theories which, if run through double-entry bookkeeping, would show up as socially impossible without the aid of an alchemy which could turn a loss into a profit. We as bookkeepers possess the means to show that many of the movements which are blatently labelled progressive are viciously retrogressive, for they involve taking away and not replacing. But so cramped has our style become that we are leaving the social field to the bureaucrats and reformers who, because they do not have to make ends meet, are limited only by the capacity of their imaginations.

You will please note that I have not yet said that we should "present the case for business" or "for free enterprise." We who are in business are not litigants in a great cause, with the general public as our adversaries. Business is not a thing apart. It is simply the same general public engaged in its own service of supply; and business can no more live in a position adverse to those it supplies than the heart can take a position adverse to the lungs. Most of us are both producers and consumers. There is no one who always sells and never buys. The notion that business is or can be an independent system of power either to take continuously from or supply continuously to the community is absurd. It supposes that business can live in a vacuum—free to do as it pleases about prices or any other matter.

Wages and taxes which increase faster than the slack taken up by efficiency must be paid by the

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Federal Tax Policy In Relation To Corporate Security

Amendment Of Tax Laws Recommended To Allow 'Reasonable Reserves' As Deductions In Computing Taxable Income

Changes Proposed To Bring Computations Into Line With Sound Business Planning

Dr. Paul W. Ellis, Financial Economist of the National Industrial Conference Board, suggested on Sept. 21, that current tax laws be amended to direct the Bureau of Internal Revenue to allow "reasonable reserves" as deductions in the determination of taxable income. Dr. Ellis' suggestion was made in an address before the annual meeting in New York of the Controllers Institute of America.

Speaking on "Federal Tax Policy in Relation to Corporate Security," Dr. Ellis had the following to say:

Paul W. Ellis

"The most difficcult phase of the problem of changing the tax and renegotiation laws to allow for post-war reserves is the derivation of a formula for computing the reserves. Income taxation in this country has been administered on the assumption that anything remotely resembling income shall be assumed to be income unless a taxpayer can prove otherwise. At the same time, no deductions are allowable unless the taxpayer can demonstrate with mathematical precision both the amount of the deduction and its appropriate time. Every attempt at correcting the inequities which have arisen under this system has contributed further to complicate our tax law.

"Any formula for allowing current deductions of post-war reserves which would follow this historic pattern would further complicate an already over-complicated tax system without even touching upon the necessity for contingency reserves for other than wartime and post-war contingencies. If Section 722 is successful at all, it will be successful because it has departed from this historical procedure and has provided for excess profits tax relief based upon a reasonable analysis of the economic and profits history of each corporation. Deductible reserves for contingencies, of which reserves for post-war readjustment are only the most dramatic currently considered, would likewise be successful only if their amounts were dependent upon a rule of reason.

"It is my suggestion, therefore, that current tax laws be amended to direct the Bureau of Internal Revenue to allow 'reasonable reserves' as deductions in the determination of taxable income.

(Continued on page 1329)

The Financial Situation

(Continued from first page)

is in elaborate machinery for the preservation of peace on terms which have not been disclosed, and probably not precisely formulated even in the minds of the proponents of such schemes. Nor is there less reason to be confident that the British, whatever they may say in public, are occupying their pragmatic minds with problems that affect, or are believed by them to affect, their position and their Empire in the years to come. Indeed, Mr. Churchill has on more than one occasion made it rather clear that such is the case. China in her turn has good reason to desire definite answers from such nations as Great Britain and France to a number of specific questions. All this creates a poor atmosphere in which to blow bubbles about a millenium in international affairs.

Far-Sighted Realism Needed

But if facts such as these present a definite promise of disillusionment for the global day dreamers, it would be a happy circumstance if some of the more realistic among the nations of the globe made certain that their realism took a long look ahead. It would be very easy to permit the passions, often well warranted, of war to obscure fundamental facts of the modern world, which lie at the very roots of the present terrible conflict. It would be still easier for popular leaders to make use of these passions to prevent the rank and file from reaching anything approaching an understanding of conditions which should never be lost to sight at a time like this. A true historical perspective and a cool determination to view as dispassionately as possible the world situation as it existed when Hitler was still painting houses, and Mussolini had not yet learned to strut, would probably do more to keep the peace for the next 100 years than all the plans, programs, and schemes yet dreamed of.

It is difficult for any individual to retain his historical perspective in times like these, and it is fully as hard for any man or any nation to divorce his or its own interests from mind, and view the world situation as if from another planet. It is the more difficult when the most despicable of all our enemies has upon occasion intermingled certain truths with his numerous distortions—and used them in support of indefensible courses of action. Yet some such feat appears highly desirable at the present time, indeed quite essential if proper foresight is to be employed in reaching a reasonably satisfactory and permanent set of working relations among the various nations of the world. There is after all no really sound reason why we should blink the fact—indeed it would be much better and much safer if we did not blink it—that due to historical circumstances certain countries, notably Great Britain, the United States and Russia, had long before Hitler ever started to bleat come into the enviable position of owning or controlling large and extremely rich portions of the earth's surface. France, too, had managed to build a very considerable empire.

Advocates of Status Quo

These countries had reached a point where they were more or less content to let things ride as they were. They inevitably had become advocates of the status quo, although it still remains to be seen whether they are altogether ready in present day circumstances to permit such matters to return to approximately their pre-war status. At any rate, though, they were and are determined, as Mr. Churchill puts it, to hold on to their own. Now certain other countries, notably Germany and Japan, came relatively late upon the historical scene. They found most of the valuable portions of the earth's surface already preempted. They have relatively high birth rates, and need (in their own estimation at least) greater "lebenstraum." They, like ourselves, are energetic, ambitious, capable peoples. In an earlier era they doubtless would have succeeded, as others have done before them in establishing themselves in many parts of the world under their own flag, and without very serious world-wide repercussions. Now that they, or at least their leaders have, reverted to savagery and resorted to barbaric absurdities in support of their claims, it is not easy for the rest of us to admit the facts of the case. But it is never wise to ignore facts.

Holding On To Our Own

Now there are several ways of dealing with a situation of this sort. Most of the programs for "organizing the peace" are not to be included among them for the simple reason that they do not appear even to recognize the existence of the problems. It may be possible for the victorious United Nations so to dismember or otherwise reduce the potency of these powers as to relegate them permanently to a second, third or fourth rate status among the nations—provided they do not fall out among themselves and provided also that they do not presently relax the pressure. Other nations living peacefully and happily until Hitler's hordes overran them in 1940 once had relatively large empires and were really first rate powers of their day. But this would be a long, hard task requiring eternal vigilance and probably repeated use of force—and we must not tell ourselves that there would be any large measure of "justice" in it. It would be a course desiged to hold on to our own. Doubtless it would seem eminently right in our own eyes but would have a rather different appearance to an observer from another planet.

Whether such a course, which now appears to be the one toward which events point, would entail hardships and human suffering more or less comparable in the long run to some which these offending powers have been inflicting upon their victims would depend upon a number of other policies adopted by the victorious nations. Accompanied by the practice of narrow and vigorous nationalism on the part of the controlling powers, it would certainly not be particularly humane.

Whatever course of action is chosen, it should be selected with a full understanding of these facts.

Statesmanship Begins At Home

"Whether we like it or not, we'll play a leading part in post-war world development. But we can't do so if we become weakened and flabby at home. I'm suspicious of people who have great plans for post-war development abroad while neglecting plans at home. It's like the social worker who is out helping others while neglecting her own home. We should tell the whole world that we'll not preside at the liquidation of the American way of life.

"Let me be brutally frank: there is some danger of America becoming totalitarian. Of course, it would come under a form different than we understand it now. Unless that danger is averted, the peace of the world is endangered. Too much power should never be placed in the hands of government, and especially in our own Government. America must be kept economically free."
—Eric A. Johnston, President of the U. S. Chamber of Commerce.

Eric A. Johnston

What has been called "Globaloney" appears to have lost some of its hold upon certain of our high officials—thanks, possibly, to more extended contact with actual world problems.

There are those who think they see a tendency toward somewhat less destructive policies at home.

If these saner tendencies are to continue—assuming their genuineness—the American people must make it plain that they want it so.

The State Of Trade

Reports from most of the heavy industries were favorable the past week. Electric power production climbed to a new historic peak. Steel production continued at the recent high rate, with indications of higher levels of operation in the not distant future. Carloadings showed a substantial increase, and retail trade continues quite active, showing heavy gains over last year.

The production of electricity snapped back to a new all-time high of 4,358,512,000 kilowatt hours in the week ended Sept. 18, from the relatively low total of 4,229,262,000 distributed in the preceding week which contained the Labor Day holiday—according to the Edison Electric Institute. The latest output was 16% above the year-ago figure of 3,756,922,000.

Consolidated Edison Co. of New York reports system output of 214,800,000 kilowatt hours in the week ended Sept. 19, an increase of 26% over the 1942 comparative of 170,500,000.

Carloadings of revenue freight for the week ended Sept. 18 totaled 902,766 cars, according to reports filed by the railroads with the Association of American Railroads. This was an increase of 68,095 cars over the preceding week this year, 333 cars fewer than the corresponding week in 1942 and 5,023 cars under the same period two years ago.

This total was 116.34% of average loadings for the corresponding week of the ten preceding years.

Steel production last week continued at the recent high rate, according to "Iron Age," adding that President Roosevelt's promise of impending new Allied blows in Europe and Asia helped account for the rush for steel plates and the squeeze affecting other forms of metal.

The trade publication said that the Baruch report on the critical domestic manpower situation is "by all odds the most important document of the week." After pointing out the gaps and weakness which industrialists long have confronted in the present haphazard setup, the report urges priorities on labor and other moves, some similar to those advocated by the originators of the Buffalo hiring plan.

"The week brough brighter prospects that Congress might enact a bill providing for substantial post-war reserves, despite Army and Navy condemnation of allowing such reserves to come out of renegotiations or as deductions from taxes."

The magazine said that invasion units in Italy "have accounted for themselves so well that production schedules are likely to be enlarged."

Steel production in the United States is at a new high this week, with operations scheduled at 100.8% of rated capacity, indicating production of 1,753,900 net tons of ingots, the American Iron & Steel Institute announced Monday.

Last week, the former peak period, operations were at 100.6% of capacity and output amounted to 1,753,000 tons. In the week beginning Sept. 28, 1942, steel ingot production was 1,664,500 tons.

A 43% decrease in construction contracts awarded last month, compared with Aug., 1942, was reported by F. W. Dodge Corp. Totals in 37 Eastern states were $413,791,000 last month and $721,028,000 in the like month last year.

Valuation of publicly owned projects fell 45%, but privately owned were off only 29%, the report stated. Heavy engineering work totaled $73,410,000 in Aug., an increase of 47% over July, but 64% below August, 1942.

Retail activity registered gains last week over both last week and a year ago, although many stores did not realize as great a seasonal increase as in previous years, according to the weekly review of Dun & Bradstreet, Inc. This was partially attributed to the curtailment of the sales events usual in September but which have been cut this year in co-operation with the request of the War Production Board.

Department stores sales on a country-wide basis were up 17% for the week ended Sept. 18, compared with the same week a year ago, according to the Federal Reserve Board.

Department store sales in New York City in the week ended Sept. 25 were 6% larger than in the corresponding period last year, according to a preliminary estimate issued by the New York Federal Reserve Bank. In the previous week ended Sept. 18, sales of this group of stores increased 10% over the like 1942 week.

Charge OPA Violated Sanctity Of Home In Halting Phila. Trial

"The sanctity of the home," says United States District Judge George A. Welsh, "is far more important than any violation of an OPA regulation."

He made the comment on Sept. 21, said Associated Press advices from Philadelphia, after excusing a trial jury while the court sought to determine whether three agents of the Office of Price Administration violated the constitutional rights of Mrs. Margaret Guariglia when they went to her home to question her about a quantity of missing ration stamps.

The advices further stated:

The 39-year-old former chief clerk of a South Philadelphia ration board, who is being tried on a charge of illegal possession of ration stamps, charged earlier that the agents entered her house without a warrant and tricked and browbeat her into signing a statement.

"The sacredness of the home is the paramount issue here," Judge Welsh said. "This principle of American liberty, that our boys are now fighting for, is far more important than any violation of an OPA regulation."

Stettinius Replaces Welles In State Dept. Crowley To Head Foreign Economic Activities

New Post For Lehman As Assistant To President

President Roosevelt announced on Sept. 25 the resignation of Sumner Welles as Under-Secretary of State and the appointment of Edward R. Stettinius, Jr., Lend-Lease Administrator, as his successor.

The President at the same time also made known the creation of the Office of Foreign Economic Administration, with Leo T. Crowley as its head, "to centralize activities formerly carried by the offices of Lend-Lease Administration, Foreign Relief and Rehabilitation Operations and Economic Warfare.

The further announcement was likewise made by the White House on Sept. 25 that Herbert H. Lehman, former Governor of New York, who has headed the Office of Foreign Relief and Rehabilitation, has been appointed special assistant to the President to perfect plans for the meeting of United Nations' representatives on Nov. 9.

Mr. Stettinius, the new Under-Secretary of State, has been connected with the Administration since the start of the defense program in May, 1940. At that time he was put in charge of procurement of industrial materials for the revived Council of National Defense. When this organization was replaced in December, 1940, by the Office of Production Management, Mr. Stettinius was appointed Director of the Priorities Division. He served in the latter post until August, 1941, when President Roosevelt made him his special assistant and appointed him Lend-Lease Administrator. Prior to his association with the Government, Mr. Stettinius was Chairman of the United States Steel Corporation.

Mr. Crowley, who now becomes Foreign Economic Administrator, has been Director of Economic Warfare since July. He is also Alien Property Custodian and has served without pay as Chairman of the Federal Deposit Insurance Corporation since that agency was created in 1934.

The White House announcement follows:

"The President today announced the resignation of Sumner Welles as Under Secretary of State and the appointment of his successor, Edward R. Stettinius, Jr., Lend-Lease Administrator.

"In announcing Mr. Welles' resignation the President stated that he had accepted with sincere and deep regret. He said that Mr. Welles had advised him of his desire to be relieved of his heavy governmental duties in view of his wife's health and he could understand and sympathize with that desire.

"The President commended Mr. Welles's long service in the department and said: 'Mr. Welles has served the Department of State and the Government with unfailing devotion for many years.'

"Commenting on the Stettinius appointment, the President said that his broad experience with our Allies, both before and after Pearl Harbor, as Lend-Lease Administrator, and his long experience as an executive in business, splendidly equipped him for his new post.

"The President also announced the creation of the Office of Foreign Economic Administration to centralize activities formerly carried by the officers of Lend-Lease Administration, Foreign Relief and Rehabilitation Operations and Economic Warfare.

"In creating this new office, the President announced that Mr. Leo T. Crowley, Director of Economic Warfare, will become the Foreign Economic Administrator. The President said: 'Leo Crowley is one of the best administrators in or out of government and I find great satisfaction in promoting him to a position which will centralize all foreign economic functions in one operating agency.'

"Governor Herbert Lehman has been appointed special assistant to the President for the purpose of perfecting the plans for the meeting of representatives of the United Nations on Nov. 9. It is expected that Governor Lehman will be urged by this Government for the appontment of Director of United Nations Relief and Rehabilitation Administration."

The Executive Order creating the Foreign Economic Administration follows:

EXECUTIVE ORDER

Foreign Economic Administration

By virtue of the authority vested in me by the Constitution and the statutes of the United States, as President of the United States and Commander-in-Chief of the Army and Navy, and in order to unify and consolidate governmental activities relating to foreign economic affairs, it is hereby ordered as follows:

1. There is established in the Office for Emergency Management of the Executive Office of the President the Foreign Economic Administration (hereinafter referred to as the Administration), at the head of which shall be an administrator.

The Office of Lend-Lease Administration, the Office of Foreign Relief and Rehabilitation Operations, the Office of Economic Warfare (together with the corporations, agencies, and functions transferred thereto by Executive Order No. 9361 of July 15, 1943), the Office of Foreign Economic Coordination (except such functions and personnel thereof as the Director of the Budget shall determine are not concerned with foreign economic operations) and their respective functions, powers, and duties are transferred to and consolidated in the Administration.

3. The Administrator may establish such offices, bureaus, or divisions in the Administration as may be necessary to carry out the provisions of this order, and may assign to them such of the functions and duties of the offices, agencies and corporations consolidated by this order as he may deem desirable in the interest of efficient administration.

4. The powers and functions of the Administration shall be exercised in conformity with the foreign policy of the United States as defined by the Secretary of State. As soon as military operations permit, the Administration shall assume responsibility for the control of all activities of the United State Government in liberated areas with respect to supplying the requirements of and procuring materials in such areas.

5. All the personnel, property, records, funds (including all unexpended balances of appropriations, allocations, or other funds now available), contracts, assets, liabilities and capital stock (including shares of stock) of the offices, agencies and corporations consolidated by Paragraph 2 of this order are transferred to the Administration for use in connection with the exercise and performance of its functions, powers and duties.

In the case of capital stock (including shares of stock), the transfer shall be to such agency, corporation, office, officer or person as the Administrator shall designate. The Administrator is authorized to employ such personnel as may be necessary in the performance of the functions of the Administration and in order to carry out the purposes of this order.

6. No part of any funds appropriated or made available under Public Law 139, approved July 12, 1943, shall hereafter be used directly or indirectly by the Administrator for the procurement of services, supplies, or equipment outside the United States except for the purpose of executing general economic programs or policies formally approved by a majority of the War Mobilization Committee in writing filed with the Secretary of State prior to any such expenditure.

7. All prior Executive orders in so far as they are in conflict herewith are amended accordingly. This order shall take effect upon the taking of office by the Administrator, except that the agencies and offices consolidated by Paragraph 2 hereof shall continue to exercise their respective functions pending any contrary determination by the Administrator.

FRANKLIN D. ROOSEVELT,
The White House,
Sept. 25, 1943.

Adm'l Land Calls Labor Leaders Smarter Than Management

Rear Admiral Emory S. Land, Chairman of the United States Maritime Commission, speaking at the Hotel Commodore before the annual convention of the Marine and Shipbuilding Workers of America, a Congress of Industrial Organizations affiliate, on Sept. 23 said that the welfare of the post-war American Merchant Marine rests upon their wisdom because "labor leaders are smarter than management," and that the United States Maritime Commission plans for a peace-time Merchant Marine dependent upon cooperation between workers and management.

The New York "Herald Tribune" of July 24, gave the further remarks of Admiral Land as follows:

"With what limited experience I have had over the years, I have come to the conclusion that labor leaders are smarter than management. This is particularly true in conferences between the two. Labor has more patience than management, more endurance. The results are that in long, drawn-out conferences labor is likely to be the more successful.

"And so it is that labor should feel that its future welfare depends largely upon the contribution it makes to a constructive economic program. When it comes to labor's own interests, labor is well able to take care of itself.

"A post-war program that will 'retain and carry on a proper proportion of American shipping' will demand 'concessions and sacrifices,' to meet international competition in the cargo-carrying field."

Pointing out that shipbuilding schedules for the current year call for an increase of 140% over last year, Admiral Land expressed confidence that the goal of 19,000,000 deadweight tons before Dec. 31 would be surpassed, despite a gain of only 50% in the shipbuilding labor supply.

More than 1,300 ships have been built thus far in 1943, Admiral Land said, but he called upon the delegates to strive to raise the production level from the current average of five ships a day to six ships daily, "or otherwise we will have no margin of safety to insure the maintenance of our schedule."

Hugh Gibson Warns Against Haste In Establishment Of Post-War Peace Organization

Discusses With Seven Other Speakers Plans For World Peace

Former Ambassador Hugh Gibson proposed on Sept. 24 that a "provisional peace" be established in the immediate post-war period before the nations of the world undertake the creation of a permanent peace organization.

It was pointed out in the New York "World Telegram" that Mr. Gibson warned that "precipitate action" would constitute the greatest threat to a successful post-war peace organization just as it contributed to the failure of the League of Nations.

The former Ambassador—a collaborator with Herbert Hoover on the book, "The Problems of Lasting Peace" — participated with seven other speakers in a forum at New York Times Hall, 240 W. 44th Street.

Describing the League of Nations as a valuable lesson, said the "World Telegram," Mr. Gibson warned against "forcing through any plan" until it has better possibilities of popular acceptance than the League had. He suggested a board of "trustees of peace," until finally some world institution is set up "thereafter to keep the peace."

The speakers and the specific plans or groups with which they have become identified were, it was indicated in the New York "Times" of Sept. 25:

Representative J. W. Fulbright of Arkansas, author of the Fulbright Resolution just passed by the House of Representatives.

Senator Joseph H. Ball of Minnesota, author of Senate Resolution No. 114.

John Foster Dulles, Chairman of the Commission to Study the Bases of a Just and Durable Peace, instituted by the Federal Council of the Churches of Christ in America.

Hugh Gibson, former Ambassador to Poland, Belgium and Brazil, and collaborator with former President Hoover on the volume, "The Problems of a Lasting Peace."

Dr. James T. Shotwell, Chairman of the Commission to Study the Organization of Peace.

Clarence Streit, founder and Chairman of "Federal Union."

Ely Culbertson, author of the World Federation Plan.

Mrs. Ruth Bryan Owen Rohde, former Minister to Denmark, author of the plan in her book, "Look Forward Warrior."

From the "Times" we also quote:

"The eight speakers were unanimous in their support of some form of cooperative international organization to maintain world peace after this war, and in their belief that this should be potentially universal in membership. Most of them agreed that this world body, whatever form it might take, must be backed up by some form of international police force to make it effective, even if this should mean some limitation of national sovereignty.

"There was difference of opinion, however, as to how the international police should be constituted, and to what extent the various nations might be asked, or might be willing to limit their sovereignty.

"Other disagreements arose as to whether there should be an attempt to establish a comprehensive world institution immediately after the war, as was done in the setting up of the League of Nations after the last war, or to proceed more slowly and gradually through alliances, ententes or agreements between the United States and Great Britain or the "Big Four" of those two countries, Russia and China, with the idea of eventually expanding such arrangements into full United Nations and then world-wide organizations.

"Even the disagreements, however, resolved themselves into one point of agreement—i.e., that we should begin to consider and discuss post-war plans now instead of waiting until the war is over, so that we will not be caught unprepared when that time comes.

"The audience made clear its desire for action on post-war problems by its spontaneous and enthusiastic applause for Senator Ball's and Representative Fulbright's resolutions for world cooperation, and for virtually all statements urging a positive approach. There was also applause for arguments in favor of giving the smaller nations a say on the central committees of international institutions, instead of leaving their direction entirely in the hands of the "Big Four" or other combinations of the great powers.

"As a whole, the speakers devoted much time to criticisms that their plan would sacrifice national sovereignty, particularly in the use of an international 'police force' to keep the peace of the world.

"Representative Fulbright, who emphasized that he did not regard his resolution as a 'panacea' but simply as a first step in building a new foreign policy for collective security, regarded the sovereignty criticism as 'a very red herring.' He said the people could delegate their power to any agency they wished, had repeatedly done so in local, State and national affairs, and would be very wise to do it for the purpose of preventing war and maintaining international law and order."

U. S. Gypsum Co. Challenges WLB Order On Union Membership And Dues Check-Off

A suit challenging the power of either President Roosevelt or the War Labor Board to impose maintenance of membership and the dues check-off in union labor contracts, was filed on Sept. 24 by the United States Gypsium Co. in the U. S. District Court in Washington.

The suit, according to the International News Service sought a declaratory judgment to enjoin the Board and the Director of Economic Stabilization from enforcing the company's compliance with a Labor Board order of May 31, 1943.

The News Service dispatch from Washington, Sept. 24, further reported:

The order directed the company to include maintenance of membership and check-off provisions in its collective bargaining agreement. The Board granted the union demand as a matter of "standard practice," but failed to grant the company's request for a public hearing.

The Gypsum Company contends "it is not the function of the President to compel employers to require their employees to remain members of a union."

It charges that the WLB has no authority to "impose" maintenance of membership or a dues check-off without an act of Congress.

What About Congress?

Babson Says Legislators Now Waking Up

I have been interested to see what kind of a Congress would return to Washington after the long summer recess. I found the answer sooner than expected. The speed and vigor with which the members, hardly waiting to hang up their hats, tackled the father-draft controversy, was a revelation. The issue itself is not the important thing. **It is the fact that Congress made up its mind to think for itself once more that should be noted and applauded.**

Citizens vs. Blocs

Roger W. Babson

Congress is a sounding board for the sentiment of the great masses of voters. Congress does not mould public opinion or lead in our national affairs. It responds to the pressure group putting on the most heat. For too long a time successive sessions of Congress have acted as a rubber stamp for the White House and the bureaucrats. We have seen the farm bloc get what it wanted through high-pressure methods. The same goes double for labor. A few business interests have chiseled into the picture—but not to any extent. The New Deal has never been friendly to business men.

The bloc that needs the most help has not had proper representation. It is made up of you and me, average citizens, who have been left out. Look at the record. Mr. Roosevelt told Congress he needed executive authority to do a lot of things that could not be embodied in separate legislation requests subject to the delays all appropriation measures must meet. Congress, apprehensive over our national unpreparedness, signed a lot of blank checks for the White House. **Thus was born Government by Executive Order.** It created the heyday of the bureaucrat who owed his existence and loyalty not to the law-makers of the nation—but to the Administration; in many cases to Mr. Roosevelt personally.

No More Blank Checks

Washington has become overrun with self-constituted "experts" and advocates of strange political and economic doctrines. Not all these activities were unsound. Many were both necessary and intelligently conceived. It is the swing of the pendulum, which carries us to extremes, that causes the trouble. By the law of action and reaction a turn to the right is overdue in our national afairs. Even before Pearl Harbor Congress went along with everything in connection with defense the White House requested. With the declaration of war, Congress said "yes" whenever the President or the Army and Navy chiefs asked for anything.

Today it is a different story. The House and Senate have already served notice on the President that they intend to reassert their long discarded powers. Now they are telling the Army and Navy, "We will give you everything you need to win the war, but we must be shown." Here is what has happened. Congress has spent the past summer feeling the home pulse. The members have returned still anxious to do everything in their power to win unconditional surrender at the earliest moment. Congress, however, is no longer in a blank-check mood. From here out they want to know why. Senators and Representatives are still smarting from the things the folks back home said about some of the goings-on in Washington.

Real Representation Ahead

Congress has had to be the whipping boy for what the public thought about OPA, local draft boards, new taxes, and, generally speaking, "those crackpots and bureaucrats down in Washington." Since many members of Congress had never gone along with some of the things the Roosevelt Administration has done, this was like rubbing salt in a wound. Congress listened to these complaints back in the home town—and returned to Washington with fire in its eye. This is a good thing for the country and I for one am optimistic over the outlook as a result.

As we approach another Presidential campaign, we can at least count on a Congress that is not going to shut its eyes and say "me too" every time the White House speaks. This country needs the full powers of the three departments of government which the founding fathers were wise enough to set up—along with the principle of "checks and balances." The legislative and judicial have been scrapped as a result of emergencies—first by the depression and then by war necessities. Our best contribution to the post-war world and to politically-torn Europe will be the example which we set in our own front yard. **Let us get back to representative government. I am delighted that Congress is beginning to show the way by refusing to sign blank checks or be rubber stamps. Certainly this change of attitude should help business and give confidence to investors.**

From Washington

(Continued from first page)

has not the slightest feeling against the President for the ill-fated purge compaign of 1938. He may have had some for about two weeks after that campaign and then dismissed it all as the business of politics. There was a tremendous uproar in the so-called Liberal press when, after the death of Pat Harrison of Mississippi, he had the choice of the Chairmanship of the Senate Finance or the Senate Foreign Relations Committees, and this press was insisting that he had an enmity against the President ond his Chairmanship of Foreign Affairs would be embarrassing. George took the Chairmanship of Finance which has turned out to be of tremendously more importance and maybe, as a result, undoubtedly so, the Foreign Relations Committee has played no importance in the war.

However, it might be said insofar as the Roosevelt and George relationship is concerned, that the President never had his heart in the campaign to purge the Georgia Senator and aside from the one speech he made against him, he never did anything else when there were any number of other things he could have done. It is apparent that in that campaign the President was listening to the insistence of the young so-called Liberal squirts around him, their insistence that he could not let them down, that he had to go down the line as a Liberal, that if he didn't oppose George, his Liberal supporters would be terribly disappointed, etc. The interesting thing is that Roosevelt was so tied up with these young Liberal squirts in those days that he couldn't say "no" and went through the motions of being against such an able man as is George.

Also, the interesting thing is now that other counsels have gotten to him and convinced him that for 1944 appearances sake, he has got to get rid of those Liberal squirts. Harry Hopkins, who really has no philosophy on the subject at all, whose whole thinking turns around what a wonderful break in life Roosevelt has given him and therefore is interested in any advance which will help his hero, is going overboard for what these anti-Liberal squirts say. He and Jimmy Byrnes are working together like two peas in a pod. No president of U. S. Steel could complain about Harry's thinking these days, if that is the experience Harry could be said to be having. We have said previously that the Liberal young squirts seem still to have the amazing knack of getting their men in key positions, but close analysis indicates that they are beating a slow rear-guard retreat.

Then, what does it mean that the Washington Administration is going Rightest or filling up its Bureaucracy with Rightists? Very little or nothing at all. It is just a case of changing personalities to meet various unrests.

We have intentionally not written in this article about the hullabaloo around Marshall and MacArthur. Because to do so would simply add to the confusion. The truth is not yet to be found.

Advocates Single Over-All Claim To Cover Cancelled War Business

In discussing the termination of war contracts before the annual meeting of the Controllers Institute of America in New York on Sept. 20, Clarence L. Collens, President of the Reliance Electric and Engineering Co., Cleveland, advocated "a single over-all claim by each company or plant rendered direct to the Government covering all of its cancelled war business." Mr. Collens explained that a single over-all claim "might be a combination of prime contracts and subcontracts." Stating that many independent groups are studying the solution of the subject Mr. Collens declared that "the immediate need is a single group representing all the various national organizations, with sufficient time given to the subject to endeavor to reach a unified, practical program which can be recommended to the Government." Noting that several laws will be before Congress this Fall which point to partial solutions to some of the problems, he warned that "unless industry generally participates in the hearings and emphasizes the problems which must be solved, * * * industry will lose by default."

The main portions of Mr. Collens' remarks follow:

"Wholesale termination of war contracts may be compared with the situation which would develop if the Government suddenly issued an order to dam the mouth of the Mississippi, the Ohio, the Missouri, Arkansas, Red and other rivers where they flow into the Mississippi; to dam in back of that all the small rivers, streams and brooks at the points where they flow into any other water course, to cap all springs and to divert by some superhuman means any rain that falls. With half of the United States engaged in war business, this example is by no means exaggerated as to what will happen at the time of any effort to suddenly stop the flow of war production through the usual and intricate channels of trade all over the country.

"There is not enough manpower in the country to promptly handle under present procedures individual claims all the way down the line under each separate prime contract. Taking all the different procurement departments and agencies of the Government into account, it is estimated that there are about 250,000 prime contracts, and under these at least 800,000 major subcontracts in the first tier. The arithmetical progression when we go down the line to the second and fourth tier of subcontracts will run into the millions. Because of manpower and the difficulties of audit and review, the present trend of Government thinking is to deal solely with the prime contractor and make him responsible for some form of certification of all claims that are derivations of his all the way down the line. But the prime contractor is in no better position to undertake this job and properly protect the interests of the Government than the Givernment itself.

"I have steadily been an advocate of a single over-all claim by each company or plant rendered direct to the Government covering all of its cancelled war business, no matter how many Government agencies are involved. This is recommended purely as an alternative procedure at the option of each company, as there may be some companies whose situation justifies individual, separate claims by the prime contractor route. A single over-all claim might be a combination of prime contracts, subcontracts and subcontracts at any point down the line, depending on the pattern of the company's war business.

"There has been a partial acceptance of this idea already. The proposed standard termination clause provides that, so far as legally permissible, termination of any contract may be made in connection with similar settlements of other contracts of the contractor subject to the same provision. The War Department termination accounting manual also provides that where there is more than one contract with one contractor, termination settlements should be consolidated to the greatest practical extent, with a provision for the apportionment of the total amount of the settlement to the various contracts on some reasonably satisfactory basis. These provisions, however, do not contemplate single over-all claims direct to the Government where different procurements or agencies of the Government are involved.

"All technicalities of final procedure are not clear, but a solution both from the legal angle and from that of the practical difficulties is not impossible. It will definitely require legislation. It would be desirable if a single over-all claim could be handled with a single agency of the Government based on the pattern of cancelled war business, with no more complicated over-all accounting and record than under renegotiation—but when the Government is *paying* money instead of *taking* money, that may be too much to expect.

"A program to permit of prompt liquidation of frozen assets upon termination of war contracts means at least an approach to a solution of the following problems:

1. A clear definition of what constitutes war business subject to claim against the Government, with limitations, if any.

2. The development of uniform termination provisions, policies, accounting manuals, rules, regulations and procedures for all agencies of the Government, including certain mandatory requirements for notices of termination.

3. The handling of termination claims and the salvaging of surplus inventory and property as distinct and separate transactions, with the gradual introduction of all usable materials into the peacetime economy.

4. Recognition of the advantages of single over-all claims rendered direct against the Government, irrespective of the number of contracts involved, as an alternative procedure for settlement at the option of the claimant.

5. Mandatory advance or partial payments made direct by the Government of at least 75% of any claim certified in a prescribed manner by the claimant, with equitable provisions for protecting the interests of the Government and the taxpayers.

6. Whenever disputes arise in the final settlement of any claim, recognition of the right of appeal to some impartial tribunal which should be local in character to permit of prompt decisions.

7. Legislation to legalize informal or legally defective contracts and commitments undertaken in good faith to speed the war effort.

8. Clinics for the immediate education of industry on all the technicalities of termination provisions, the accounting principles involved, the rules and regulations for the preparation and filing of claims, etc.

"Such a program will definitely require legislation. Several laws will be before Congress this Fall which point to partial solutions to some of these problems, and committee hearings will be held. Unless industry generally participates actively in the committee hearings and emphasizes the problems which must be solved, by personal interviews with Congressmen and Senators, industry will lose by default. The proposed educational clinics can be organized jointly by trade associations and Government representatives, just as has been done in connection with P. R. P. and C. M. P.

"Thinking on the subject of termination is diverse, and many independent groups are studying its solution. The immediate need is a single group representing all the various national organizations, with sufficient time given to the subject to endeavor to reach a unified, practical program which can be recommended to the Government."

August Living Cost Down 0.3%

Living costs of wage earners and lower-salaried clerical workers in the United States in August continued downward, but the decline was only 0.3% compared with a drop of 1.2% in July, according to the National Industrial Conference Board. The Board also stated under date of Sept. 11 that food prices, which had long led the upward movement, but which declined 2.9% in July, were off 0.9% in August. Housing remained unchanged, while clothing rose 0.4% and sundries and fuel and light increased 0.1%. The advices from the Board added:

"The Board's index of the cost of living (1923=100) stood at 102.8 in August as compared with 103.1 in July and 98.1 in August, 1942.

"The level of living costs was 4.8% higher than that of a year ago. Food showed the greatest advance over August, 1942, with an increase of 10.2%. Other advances during the twelve months were: sundries, 2.4%; fuel and light, 3.5%; and clothing, 1.2%. Housing remained unchanged.

"The purchasing power of the dollar, on the basis of 100 cents to the dollar in 1923, which amounted to 97.0 cents in July, rose to 97.3 cents in August. It stood at 101.9 cents in August, 1942."

New York City Rents To Be Frozen At March 1 Levels, OPA Announces

The Regional Office of Price Administration in New York City, announced on Sept. 28 that rents for apartments, tenements, houses, hotels and boarding houses in the five boroughs of New York City will be frozen on Nov. 1 at maximum levels prevailing last March. The basic points of the order were given in the New York "Herald Tribune" of Sept. 29, as follows:

Chester Bowles, General Manager of the OPA, said in Washington last night that the action was taken to prevent rent increases scheduled to go into effect by next month on more than 100,000 residential units in the city—the equivalent of all the dwellings of Buffalo or New Orleans. Such a condition, he said, was inflationary and called for OPA intervention.

For houses and apartments the maximum rent will be that charged for the particular dwelling unit on March 1, 1943, regardless of any lease or agreement which may be put into effect between March 1 and Nov. 1 of this year. Rent increases already in effect or scheduled to go into effect on or before Oct. 1, will not be affected by the order until November, but at that time the rents must be reduced to those charged last March. Under present plans evictions are not prohibited until November.

The OPA order also stated that landlords need not refund to any tenant any increase in rent the tenant may have paid between March 1 and Nov. 1. The OPA urged building owners to cooperate by not raising rents during October.

For hotels and rooming houses, the maximum rent will be the highest rent charged in the 30 days ending March 1, 1943, for each term of rental — whether daily, weekly or monthly—and for each number of occupants — whether single, double, or suite.

The most important phases of the regulations covering houses, apartments and tenements are:

1. Even if there is a new tenant he pays no more than the former tenant paid on March 1, 1943, regardless of any prior agreements.

2. As a general rule a landlord cannot evict a tenant as long as he pays the maximum rent.

3. Special provisions are made to cover cases where landlords made a major capital improvement or other substantial changes in the dwelling since March 1, 1943. Other grounds for adjustment of maximum rents are also provided for.

4. For dwellings rented on March 1, 1943, a landlord must fill out two copies of a "notice of maximum rent" and send one to the tenant at present occupying the premises and the other to the OPA. The notice forms on letterhead size will be available for landlords about Nov. 1. For dwellings substantially changed since March 1 or not rented on that date, the landlord must file a more detailed statement, identical with that used in "full control" system operating in critical housing areas throughout the nation.

5. Curtailment of services, such as cutting off of heat, without a compensating lowering of the rent, will also be prohibited to prevent hidden rent increases.

President Charges Congress With 'Encroachment' In Rider To Pay Bill

President Roosevelt, in a special message to Congress on Sept. 14, criticized Congressional action ordering the removal of three Federal employees whose political philosophies had been questioned by a House Committee.

The President said that a rider attached to an appropriation bill was "an unwarranted encroachment upon the authority of both the executive and the judicial branches under our Constitution" and in his judgment was not binding upon them. The group concerned were, it is stated, ordered removed from the Federal payrolls unless Mr. Roosevelt renominates them and the Senate confirms them prior to Nov. 15.

The President reluctantly signed the appropriation bill on July 12, but said in his message to Congress that he would have vetoed the objectionable rider if he could.

The three men had been charged by the House Committee on Un-American Activities of having been associated with "subversive" organizations. Rep. Dies (Dem., Tex.), head of this committee, on Sept. 15 challenged the Chief Executive "to take to the American people the issue of whether men who don't believe in our form of government should be allowed to stay on the government payroll."

The President's plans for sending the message to Congress were reported in these columns July 15, page 204.

The text of the message follows:

To the Congress of the United States:

On July 12 I reluctantly signed H. R. 2714, the Urgent Deficiency Appropriation Act, 1943. I felt obliged to approve it because it appropriates funds which were essential to carry on the activities of almost every agency of Government during the recess of the Congress.

If it had been possible to veto the objectionable rider, which has been attached to this urgent Deficiency Appropriation Act, but which has no relevancy to it, without delaying essential war appropriations, I should unhesitatingly have done so.

This rider prohibited any Government department or agency from employing at any time in the future, after Nov. 15, three named individuals who are now employed by different Government agencies, unless they are appointed to office by the President and cofirmed by the Senate prior to that date.

There is no suggestion that the three named individuals have not loyally and competently performed the duties for which they have been employed. They are sought to be disqualified for Federal employment because of political opinions attributed to them.

The provision aimed at these men does not define the offices they hold and does not seek to make appointment to those offices subject to Senate approval. As a matter of fact, the clause permitting them to remain in Government employment after Nov. 15 subject to Presidential appointment and Senate approval was inserted only after the Senate had refused to accept a provision requiring their immediate removal from Government employment and their permanent disqualification for the Federal service. The Senate rejected the compromise as incorporated in this bill once, and agreed to it only after the House conferees had refused to agree to any bill without a provision aimed at the removal of these three named individuals.

The Senate yielded, as I have been forced to yield, to avoid delaying our conduct of the war.

But I cannot so yield without placing on record my view that this provision is not only unwise and discriminatory, but unconstitutional.

The Supreme Court has defined a bill of attainder as "a legislative act which inflicts punishment without judicial trial." The rider in this bill operates perpetually to disqualify three named individuals from holding office in their Government unless they are nominated by the President and confirmed by the Senate before Nov. 15. It is directed at named individuals and not at specified statutory offices. No judicial trials have been held. No impeachment proceedings have been instituted. This rider is an unwarranted encroachment upon the authority of both the executive and the judicial branches under our Constitution. It is not, in my judgment, binding upon them.

FRANKLIN D. ROOSEVELT.
The White House,
Sept. 14, 1943.

Federal Tax Policy In Relation To Corporate Security

(Continued from first page)

Such a provision would require a reorientation of the attitude of the Bureau of Internal Revenue and of taxpayers as well. Its success would be dependent upon the reasonableness of both administrators and taxpayers. It could provide for all necessary contingency reserves, now and in the future, without requiring new legislation every time conditions change. If successful, it would provide the basis for simplifying our entire income tax structure by pointing the way to the same type of administrative discretion that apparently has been quite successful in Canada.

"This suggestion, moreover, has the advantage not present in current tax procedure that the Bureau of Internal Revenue officials would be required to try to understand the taxpayer's side of each case instead of acting, almost exclusively at times, as prosecuting attorneys with taxpayers as defendants.

"The recognition that accounting is a procedure for **estimating** income instead of a technique for obtaining absolute truth would eliminate the most serious evils of all recent tax laws. The danger to corporate security of the undistributed profits tax, or the excess profits tax, and of renegotiation of prices, as well as other controversial aspects of corporation tax law, are very largely the result of artificially closing accounting periods for tax purposes. If these could be eliminated by providing contingency reserves, a six-year carry-back of losses, and an indefinite carry forward of losses, corporation executives would have relatively little reason for fearing that changes in tax rates would undermine the security of their corporations.

"In view of these facts, three changes in our tax laws are essential to bring tax computations into line with sound business planning:

"First, reserves for contingencies must be deductible in the computation of taxable income. The serious effects of costs that must be met in the future are in no way diminished by the fact that the amounts of these reserves must be determined at present by a process involving considerable guesswork, postponing the allocation of costs to some future date, merely because it will be easier to determine the amount of such costs at that time, does not in any degree increase the accuracy of current computations from which these costs are omitted. On the contrary, the inclusion of an inaccurate guess may provide an estimate of profits that more closely approximates a theoretically true amount than any figure from which all guesses have been eliminated.

"Second, provisions for carrying losses back and carrying losses forward are essential, at least in tax computations, in order to correct errors in annual estimates of profits. In view of the fact that some industries suffer losses for five or more successive years, it is obvious that a two-year carry forward doesn't eliminate such errors. The English system of allowing a six-year carry back and an indefinite carry forward would appear to be a reasonable approach to the solution of this problem.

"In the third place, I am not unmindful that the privilege of deducting contingency reserves from current income could be abused seriously. For this reason, I would suggest that reserves remaining unused after a five-year period should be returned to net income and that an additional tax be paid upon the basis of the tax law in effect at the time such reserves were deducted."

New Tax Hearings To Start Monday—To Be Confined To Revenue Raising

The House Ways and Means Committee is scheduled to open hearings next Monday (Oct. 4) on new general revenue legislation.

In a statement announcing these plans on Sept. 24, Representative Doughton (Dem., N. C.), Chairman of the Committee, said the hearings "will be given over to the problems of raising additional revenue to finance the war." Mr. Doughton stated that "it is extremely important that the revenue bill be passed before the end of this year to avoid retroactive taxation." He said the Committee would not take up technical and administrative changes in the tax laws, adding: "It will be necessary to postpone these to next year when it is contemplated that full tax revision will be undertaken."

However, Mr. Doughton added, that "careful consideration will be given to the simplification of making tax returns."

With regard to revenue raising, the Treasury has asked for $12,000,000,000 in additional tax revenue. The present annual collection rate is $38,000,000,000.

A tax conference was held at the White House on Sept. 28 and it was reported that an increase in wage and salary withholdings from 20 to 30% and a possible rise from 40 to 50% in the combined normal and surtax rate on corporations were under discussion. Among those conferring with President Roosevelt were Secretary of the Treasury Morgenthau, Randolph Paul, General Counsel of the Treasury; Senator George, Representative Doughton and Representative Cooper (Dem., Tenn.), member of the House Ways and Means Committee.

Dual Banking System Upheld By Bell As Responsive To Needs Of Country

Both state and national authorities have a role to play in the development and regulation of the country's banking system, and neither can be eliminated without violence to our Federal system of government and danger to our economic system, Elliott V. Bell, Superintendent of Banks of New York State, declared on Sept. 18 in an address before the annual conference of the National Association of Supervisors of State Banks at Cincinnati.

Mr. Bell said there were certain clearly defined aspects of banking in which the national interest was paramount. These were, he said, the price of money, or the rate at which the Treasury can obtain new money and refund its maturing obligations; the quantity of money, or the power to regulate currency and credit, and the availability of money, or insurance of deposits. Beyond these three spheres, said Mr. Bell, the authority of the States in banking should be dominant.

"A State should unquestionably have the right," he said, "to charter banks, to lay down the operating standardss for banks, and to supervise the banking institutions which it considers necessary for the accommodation of its inhabitants. A State should have the right of deciding whether independent, chain, group or branch banking is best suited to the needs of its people."

Continuing, he said:

"The States should have the right to determine the types and minimum sizes of banks which their State situations require. The States should have reserved to themselves the chartering and supervision of savings institutions of all types. In short, I would recognize clearly the paramount national concern in those matters that relate directly to the function of banking as a source of the major part of our money supply. All other functions are primarily matters for the States themselves."

As a means of coordinating State and Federal policy in banking, Mr. Bell proposed that regular meetings be held of representatives of the Federal agencies and the State Supervisors. In his remarks he stated:

"On occasion, the Federal agencies do consult the States. The examination forms we use are a product of joint effort. State and Federal authorities cooperate closely to prevent a recurrence of that banking evil of the 1920's—the over-chartering of banks. The Federal authorities discussed with a committee of this Association last fall a common policy with respect to bank participation in the war loan drivess.

"It seems to me that the advantage of both the Federal and State governments would be served if these consultations were placed on a regular rather than haphazard basis. I believe that mutual benefit would be derived from, say, quarterly meetings between the Federal supervisory authorities and a group from the National Association of Supervisors of State Banks."

The central theme of the supervisors' conference was, "In the wartime and post-war eras, how far, and by what means, is it desirable or possible to preserve the dual system of banking?"

Mr. Bell said that the dual system made banking more responsive to the needs of various parts of the United States. "In a nation as large as the United States our individual variations are many," said Mr. Bell. "Our country is in diverse stages of financial development. Some States are exporters of capital; a large number are importers of capital. The density of our population differs widely and the credit requirements of the people and institutions in one part of the country will be different from those in other parts of the country. The existence of the Federal system makes it possible to avoid the difficulty, indeed the impossibility, of administering this diverse country from one central place."

Mr. Bell said there was no reason why the nation's banking system could not be strong and efficient and at the same time responsive to local needs. The dual banking system existed, he said, because it enjoyed the support of the mass of the people.

Senator Taft Urges Retaining National Sovereignty To Preserve Democracy

Senator Taft (Rep., Ohio), and Representative McMurray (Dem., Wis.) engaged in a debate on "Sovereignty and Peace" on Sept. 24 at a luncheon in New York City, sponsored by the Citizens for Victory Organization.

The following concerning their remarks is from the New York "Sun" of Sept. 24:

Senator Taft declared he did not believe that any modification of sovereignty was involved by covenants with other nations, unless the covenant gives those nations some right to "come into our country and give orders to our citizens." He declared that the permanent success of any peace depends on this nation and other nations retaining their sovereignty as he defined it.

"The Republican conference at Mackinac," said Mr. Taft, approved "participation by the United States in post-war cooperative organization among sovereign nations." Secretary Hull's speech of Sept. 12 supports "organized international cooperation" between independent nations, each nation free to decide for itself the forms and details of its governmental organization and of its internal economic and social organization.

"Only by retaining sovereignty, can we retain democracy," said Senator Taft. He went on to say that he questioned whether the United States has not reached the limit of size under which people of a nation can have a real voice in its Government.

"Certainly," said the Senator, "a world government at Geneva or Panama would listen more closely to the voices of cranks and pressure groups than to the voice of the American people. It is significant that the British Empire, because of its size, in order to maintain democracy, has moved toward decentralization of government, and has today no overall legislative body, no overall executive and no overall police force. If Canada and Australia and New Zealand and South Africa and Eire are regarded as too diverse to be consolidated into one government, what about China, Japan, Russia and Ethiopia?"

The speaker said that he seemed to see a tendency, especially "among our New Deal friends, to make plans for the world as they made plans for us poor Americans. We can't crusade throughout the world for the four freedoms, or force milk on people who don't like milk, without making ourselves thoroughly hated. We can't force on the Russians freedom of speech and freedom of religion if Mr. Stalin doesn't approve of them, as apparently he doesn't."

Representative McMurray, who spoke first, began by saying that an adequate discourse on the subject of "Sovereignty and Peace" could not be given in the time allowed — thirteen and one-half minutes, and that there would be no difference of opinion between Senator Taft and himself if they could agree on the definition of sovereignty.

He declared that the individual after talking about sovereignty might take it into his home and be met with a rolling pin between the ears, which was violence and war. He asserted that no matter what international relations we form, it all comes back to the people.

"We the people might give some authority to an international organization," said Mr. McMurray, "and I hope we will."

Speaking of the present United States foreign policy, Mr. McMurray said that it was made to fit events abroad—events in Berlin, Tokio. He pictured an unrestrained sovereignty of any one State of the Union that might upset the whole country. He emphasized that interdependence requires world government and "I mean world government."

He quoted George Washington in summing up, as follows: "Let us raise a standard to which the wise and honest may repair."

Russia Not To Join War Against Japan Says Earl Browder

Earl Browder, General Secretary of the United States Communist Party, told a second front rally in Chicago, on Sept. 26, that it is an illusion for the United States to expect the Soviet Union "will be able or willing also to undertake the burden of the military struggle against Japan," according to an Associated Press dispatch from Chicago on Sept. 27, as given in the New York "Sun," which added:

"All chatter about the Soviets giving us 'bombing bases' in Siberia is harmful nonsense," Mr. Browder continued, "with only one aim and end, to try to give the Soviet Union similar tasks in the Far East to those which she has performed in Europe, namely to win the war for us."

Earlier in his speech the Kansas-born Communist leader asserted: ". . . The cold hard truth is this, that unless we get down off our high horse, unless we, the United States, consolidate the alliance with Britain and the Soviet Union on the basis of equality all around . . . there is not the slightest prospect for us to emerge from this war with anything that can properly be called victory.

"The key to this victory is the full consolidation of the Anglo-Soviet-American alliance. This requires full coalition warfare at least to the extent of the Anglo-American side in the West engaging half as many of the Nazi forces as the Soviet Union takes on singlehanded . . . "

Mr. Browder said that Prime Minister Churchill had "finally emerged as that 'military expert' whose opinion prevailed over Gens. Eisenhower and Marshall" in the "failure to open a second front" in France.

Asserting the war could be won in 1943 by invading France, Mr. Browder said the steady advance of the Russian armies, "the prospect that it opens up a decisive victory in which Anglo-American arms will have no major share," may force reconsideration of Mr. Churchill's "decision to postpone the second front until 1944."

Again referring to Mr. Churchill and the second front, Mr. Browder said:

"Prime Minister Churchill, in his report to Parliament in the past week, declared that no amount of clamor for a second front would bring it a minute sooner than he had planned it. . . .

"Perhaps we cannot move Mr. Churchill. He is indeed a stubborn man, with a confidence in himself that survives many obvious mistakes. Our own Gen. Eisenhower was unable to shake him, when in 1942 Gen. Ike pleaded for the opening of the second front through France as the main action, with Africa as a secondary diversion. Gen. Marshall, American Chief of Staff, was unable to shake him in Quebec with the strongest military arguments for the immediate opening of the second front.

" . . . It is not military weakness that has prevented the Anglo-Amercian combined forces from opening the second front. Some persons in position to determine the decision have been unwilling to have the second front opened. The weakness is moral, not military.

"It is a heavy responsibility to attempt to assign this default to particular persons. The evidence, however, inescapably indicates that Winston Churchill made the decision not to open the second front and that Franklin D. Roosevelt submitted to that decision because he was unwilling to have a public disagreement with Churchill. I feel sure that any time Churchill is ready to open the second front, he will find no obstacles from the side of Roosevelt."

Asserting that the Russian summer offensive had "proved beyond the possibility of a doubt" that with a second front in the West the past spring or summer "Hitler would have been crushed to the earth before this day," Mr. Browder continued:

"Who are the American supporters of Churchill's strategy of delay? They range all the way from the State Department within the Administration through the Wheeler and poll-tax sections of the Democratic party, through the Republican Congressional representation, to the whole camp of the America Firsters headed by the Chicago Tribune, Father Coughlin and Gerald L. K. Smith."

Milk Subsidies Plan Announced By WFA

The War Food Administration announced Sept. 25 a milk subsidy program designed to protect dairy farmers against increases in the price of feeds since September, 1942. It was stated in the New York "World-Telegram" of Sept. 25 that an announcement of the subsidy came after ranking members of the House Agriculture Committee had predicted a "tremendous shortage" of dairy and beef products in the East this winter.

The payments, which are to be effective from Oct. 1 to Dec. 31, will not be less than the equivalent of 25 cents per hundredweight of the whole milk delivered, except in areas where other programs are now in effect, and not more than 50 cents per hundredweight. A minimum of 3 cents and a maximum of 6 cents a pound will be used where butterfat is concerned.

The WFA is indicated as saying that considerations will also be given to the difference between prices now being received for milk and those received during the immediate pre-war years. Thus, the payment will be higher in areas where the quantity of purchased feed is larger and feed costs higher, and where the advance in prices received for milk has been the least.

Harriet Seibert Appointed Religious Aid To WACS

Harriet Seibert has been selected by the War Department as the first representative of a denominational group to be assigned to work with training units of the Women's Army Corps, it was announced in Washington on Sept. 22. Miss Seibert will represent the women's division of Christian Service, of the Board of Missions and Church Extension of the Methodist Church at Daytona Beach, Fla., beginning Oct. 1. She will cooperate with the Army and with Florida churches in activities for the second WAC training center in that city.

Miss Seibert for the past fifteen years has been director of religious education at Christ Church in New York City. Miss Seibert is a graduate of Barnard College, received her master's degree from Columbia University, and has followed special studies in religious education at Union Theological Seminary, New York.

American Legion Favors U. S. Cooperation For World Peace

The American Legion went on record on Sept. 23 as favoring United States' participation in an association of nations to maintain peace and prevent a recurrence of war—"implemented with whatever force may be necessary."

At the closing session of the Legion's annual convention in Omaha, Neb., the report, presented by its Foreign Relations Committee, was unanimously adopted. It included approval of the Government's foreign policy, endorsement of the "good neighbor policies, reiteration of the demand that Axis leaders be brought to justice, renewal of the demand for disarming aggressor nations and commendation of the Government's 'unconditional surrender' policy."

The text of the report of the Legion's foreign relations committee follows, according to the Associated Press:

1. The American Legion reaffirms its faith in the foreign policy of our Government.

2. To the peoples of the invaded nations we voice again the pledge that they shall be liberated, and our confidence that release from their bondage is at hand.

3. We reiterate the demand of the American people that the Nazi, Fascist and Japanese leaders and all who share their responsibility for bringing to peaceful peoples the greatest agony the world has ever known, shall be brought to stern and unrelenting justice. No punishment can atone for their crimes, but prompt and unfaltering retribution may serve to deter any who in years to come shall pattern after them.

4. We warmly endorse the good neighbor policies which have strengthened the bonds of friendship throughout all the Americas. We urge continued effort to break down every difference of whatever nature that may now or hereafter threaten the solidarity of the Western Hemisphere. We recommend every honest effort to remove all cause of misunderstanding, so that the nations of the Americas shall speak and act as one in the cause of liberty and justice.

5. We repeat our declaration of 1942 that "no peace, however, welcome, however promising, can long endure, unless it be made secure by the nations which have won it; nations which must ever be prepared in every sense to fight for the right of free men and of freedom-loving peoples." That "we cannot escape, we will not evade, our own responsibility for the maintenance of that peace. We must not forget our stake in it. Every consideration of national interest dictates that we prevent recurrence of the conditions which led to this war."

6. Our own national interests must ever be our first concern, and we believe that our nation can best serve and protect its national interests, commensurate with its power and responsibilities, by participation in the establishment and maintenance of an association of free and sovereign nations, implemented with whatever force may be necessary to maintain world peace and prevent a recurrence of war. It would be premature now to state with particularity how the peace shall be implemented and enforced, but it must be obvious now to all the world that no peace can be lasting and secure for nations that are not fully prepared to maintain peace.

7. We renew our demand that the aggressor nations which seek now to enslave the world shall be forever disarmed and made impotent to provoke another world conflict. We reiterate our demand for a policy of stern and exact justice toward them.

8. We commend the policy of our Government that no peace shall be made with our enemies except on the basis of their unconditional surrender.

Japan Attempts To Bring About Separate Peace Between Russia and Germany, Is Report

A Japanese move to bring about a separate peace between Germany and Soviet Russia "was reported on high authority to be under way," according to Kingsbury Smith, International News Service Staff correspondent who, in indicating this in a dispatch from Washington on Sept. 25, added:

"Reliable word reached Washington that high Jap sources are spreading reports in Russian circles that Germany intends to make a stand along the Dnieper River and then seek a separate peace with the Soviet Union or, failing this, the United States and Great Britain.

"This word comes as a strong indication developed that Secretary of State Hull may go to Moscow next month to represent the United States at the momentous diplomatic meeting with British and Soviet ministers.

"Mr. Hull conferred with President Roosevelt this morning. He went to the White House immediately after hearing a first hand report on the Russian situation from Ambassador William H. Standley, who has just returned from Moscow. The Japs are believed to be deliberately 'feeding' the German peace plan reports to the Russians in order to sow disunity among the Allies and to try to frighten the Soviets into accepting a separate peace with Germany."

Tax-Free "Seed" Money Necessary To Save Business After War, Miss Kellems Declares

Urges Repeal Of Capital Taxes

Vivien Kellems of Westport, Conn., told the Rotary Club of Chicago, on Sept. 28, that if business is to be saved after the war, Congress immediately must pass legislation to allow it to set aside tax-free "seed" money, said a special despatch from Chicago to the New York "World Telegram," which also added:

Miss Kellems also called for repeal of the capital gains tax; repeal of the "idiotic" capital stock tax, and permission for private citizens to deduct the income tax for the previous year in figuring their net income for the current year.

"If this simple program is followed," she said, "you will see a post-war boom in this country beyond our fondest dreams. We will not need public works, we will not need Government interference and financing. We will build anew, better and stronger than ever before. There will be jobs for every one, man or woman, who is willing to work. And the rest of the world will follow us."

Reasonable "Risk" Loans By Banks Called Necessary By F. D. I. C.

The nation's banks were cautioned in the annual report of the Federal Deposit Insurance Corp., released on Sept. 28, that unless they put themselves in position to make reasonable "risk" loans in the post-war era that business and agriculture will have to borrow "either from competing credit institutions or from governmental agencies," according to Associated Press accounts from Washington on Sept. 28, from which we have taken the following:

"Urging in its annual report that the banks increase their capital from present earnings, the F. D. I. C. bluntly said:

"'The prospect for survival of our present banking system . . . depends largely upon the intelligent and resourceful leadership of the bankers themselves in providing sufficient capital and managerial skill to enable the banks to bear the risks of credit extension in a manner which will justify the maintenance of our private banking system.' . . .

"Discussing what is termed the recent rapid growth in assets and liabilities without a corresponding increase in capital, the report said 'the question is not whether a bank has enough capital for the type of assets which it now holds and the risks which it now appears to face but whether it has enough capital to assume the proper and reasonable risks of participation in the financing of business enterprise.'

"To the extent that such risks are not borne by the bank but are shifted to the F. D. I. C. and other Federal agencies, the report continued, 'increased supervision, regulation and control by the Government become necessary, and continuation of a privately owned banking system becomes increasingly difficult.'

"The F. D. I. C. said the quality of assets 'appears today to be better than at any other time' and added that the outlook is favorable for net profits to be 'well sustained over the next few years.'

"Reviewing its 1942 activities, the agency said only 20 banks required F. D. I. C. aid, adding that all but 26 of 60,000 depositors were were afforded full protection of deposits aggregating $19,000,000. Total loss to the 26 with deposits exceeding the $5,000 F. D. I. C. insurance limit was estimated at $7,000.

"Fourteen of the banks were merged with the assistance of F. D. I. C. funds, the report said, while the remaining six were placed in receivership. Of $11,000,000 paid out during the year, it added, all but about $3,000,000 will be recovered."

Additional Manpower Needs Great Despite Continued Record Volume Of Employment

Maximum utilization of civilian manpower has finally emerged as the primary problem on the nation's home front, according to the National Industrial Conference Board. Inductions into military service by mid-1943 had proceeded according to plan. To date, the flow of manpower into munitions industries, in contrast, has lagged below schedule, as has munitions production. The problem of labor supply has grown so great that if production schedules are to be met during the next 12 months, 1,300 workers must be found for essential war industries for every 1,000 entering military service.

The Board states that this need for additional workers exists despite the fact that the total number of persons at work or in uniform in July continued at the record level of 63,600,000, as in the previous month. Little relief, it adds, was afforded by normal seasonal reductions of 320,000 in agricultural employment during the month, and by further reductions of about 200,000 in construction and trade. Additions to the armed forces and to manufacturing personnel were sufficient to offset these declines and to maintain total employment at the highest level ever reported.

The Conference Board's announcement, issued Sept. 16, also said:

"The primary source of the new labor recruits needed for the current production program remains the nation's womanpower, particularly in the age groups 20-34 years. As yet no significant increase has developed in the proportion of women 20-29 years of age entering the labor market, while the entrance of women 30-34 years of age has been only very moderate. Under present schedules, the number of women at work in civilian industries must be increased by nearly 1,000,000 by July, 1944, and an additional 200,000 must be found for the armed forces. How rapidly the readily available womanpower has already been absorbed by industry is evident from the 60% increase in the number at work in the past three years.

"Field reports issued by WMC reveal 55 areas of acute labor shortage, with three times that number in prospect by the end of the year. These current and prospective labor shortgage areas contain over 50,000,000 inhabitants and embrace at least 20 of the largest cities. Nine out of every 10 major metropolitan areas will be faced with general labor shortages by next summer.

"Total employment, including the military forces, was about 6,500,000 greater in July than in mid-1942. For the first month since January of this year, a slight decrease developed in the excess of actual employment over the normal labor force. Civilian employment, because of the reduction in agriculture, was about 360,000 below the corresponding June total, while civilian non-agricultural employment fell off by about 40,000. The former, however, remained about 700,000 and the latter about 1,000,000 above their corresponding 1942 totals. Nearly 90,000 additional workers were taken on in July in manufacturing, raising total factory employment to 16,300,000, as against 14,700,000 in mid-1942, 13,500,000 in mid-1941 and 10,200,000 in mid-1939."

Free Enterprise Must Be Preserved After War Says Ives Of N.Y.

Democracy in the United States will be doomed if Government post-war programs interfere with reemployment of persons in free enterprise, Irving M. Ives, majority leader of the New York State Assembly, declared on Sept. 25 at the Northeastern Conference of the Council of State Governments in New York City.

In reporting his remarks as above, the New York "Times" of Sept. 26 further quoted him as follows:

"The programs we devise," Mr. Ives said, "must be based on the firm and fundamental belief that free enterprise must be preserved. Without free enterprise we cannot have free labor and free government. If we lose any one, we lose the others as well.

"When the war is over, if business, industry and commerce can't do a job, there'll be an overwhelming demand that Government do it. And, whether we like it or not, Government will have to do it, and that's the end of free Government and the free enterprise system."

Government's role, he asserted, must be essentially one of cooperation with business, particularly with little business, which he described as "the backbone of our whole economic structure." Even with a proper approach by Government to the post-war problem, Mr. Ives said, the world of tomorrow would be "entirely different" from the world known in the Twenties.

Public works undertaken in the post-war era, the Assemblyman added, must be "necessary, justified and constructive" and must be located where they would do the maximum good in cushioning expected unemployment.

"We don't want boondoggling," he declared.

World Police Plan Losing Favor In Capital

Establishment of a world police force to maintain peace after the war has lost favor among high-ranking Washington officials, according to Associated Press accounts from Washington Sept. 27, which said:

In diplomatic as well as military quarters the view frequently is expressed that a peace-enforcing organization made up from the military and naval services of the United Nations would be unwieldy and impractical.

The counter-proposal to which this Government is understood to be giving most serious consideration is that each of the United Nations, but particularly the United States, Britain, Russia and China, should keep in service land, sea and air forces sufficient to discourage any acts of aggression.

Some officials say that in much talk of the post-war world the idea of a police force is used loosely to mean any employment of force to localize international disputes and avoid another general conflict. But in many instances the advocates of the idea definitely contemplate the organization of a truly international power to which all of the United Nations would contribute men and materials.

Both diplomatic and military officials claim this would not work because of the innumerable practical difficulties, such as differences in language, traditions and operational procedures of the world's existing armies and navies.

According to the principle broadly stated by Mr. Hull each nation participating in some world organization for peace would support peace forcefully in two ways: By maintaining an army and navy able to cope with any predictable outbreak and by always being willing to use those forces when necessary.

Thus if some future Germany or Japan developed new dreams of conquest and began to implement them, one of the peaceful nations would move in, disarm the potential aggressor and take such other measures as the council of nations believed necessary to end the threat of war.

Currency Stabilization Will Not "Intrude" On Functions Of Private Banks

The Treasury Department's plan for post-war exchange stabilization "would not intrude" upon the usual functions of private banks, eight New York bankers representing the New York Foreign Exchange Committee, have been advised by Treasury officials, it was declared on Sept. 24, according to United Press advices from Washington appearing in the New York "World-Telegram," which further reported:

"The bankers met with Dr. Harry D. White, Treasury director of monetary research and author of the U. S. Government's stabilization program, and members of the Treasury staff.

The New York bankers attending included L. W. Knoke, Vice-President Federal Reserve Bank of New York; I. C. R. Atkin, Vice-President J. P Morgan & Co., Inc.; C. E. C. Freyvogel, Vice-President Bankers Trust Co.; L. N. Shaw, Vice-President National City Bank; C. J. Stephenson, Canadian Bank of Commerce; R. M. Youngs, Dominick & Dominick; S. Stern, Vice-President Chase National Bank, and L. F. Loree, Vice-President Guaranty Trust Co.

Gov. Bricker Calls For Restoration Of Free Enterprise In Post-War Period

Governor John W. Bricker of Ohio called on Sept. 28 for the "recapture of the spirit of private enterprise" and Governor Dwight H. Green of Illinois at the same time expressed it as his view that government "must withdraw from regulation of our economic system in the post-war world."

The views of both (who are Republicans) were voiced at a dinner in Buffalo, N. Y., of the Supreme Council, thirty-third degree Masons, Ancient Accepted Scottish Rite, Northern Masonic Jurisdiction.

In Associated Press (Buffalo) advices as given in the New York "Herald Tribune" Gov. Bricker was quoted as follows:

Governor Bricker asserted that "too many people have taken the attitude that government can solve every problem."

"Our government can only reflect the aims, attitudes and good judgment, ultimately, of the great bulk of its citizenship," he said. "The development of that attitude is the responsibility of churches, homes, local communities, lodges and societies of every sort. Through them people meet, discuss problems, help others, develop character which ultimately determines the character and the course of our national life."

The Ohio Governor said that in the rehabilitation period "it will be necessary to recapture the spirit of private enterprise."

"That means a foundation of sound tax legislation to provide for venture money and private jobs in industry, business and agriculture," he asserted. "It also means a stable, careful, honest, economical administration of public affairs. Only in this way can public confidence in the institutions of government be established and maintained."

From the same advices we quote Gov. Green's remarks as follows:

Governor Green declared in his prepared address that Government "must return to the states and other local governmental units the rights and powers which were usurped—before the beginning of the present war as well as since."

"The main issue in America today is no longer the time-worn one between what we call the 'liberal' and 'conservative' points of view," he added. "Today the issue is between centralization, totalitarianism, state socialism—call it what you will—and free representative American government in which the will of the people is law under their Constitution."

Governor Green said the people of Illinois are going to insist on full participation in the peace that follows the war.

"But they are also going to insist," he continued, "that whatever post-war problems shall be presented by the nations of the world, and whatever international commitments America may consider, our Constitution must be adhered to—not by bureaucratic interpretation, but by the literal and time-tested meaning of that Constitution itself."

As the war continues, Governor Green said, "we who remain at home must examine our social, political and economic institutions, and with a firm hand we must root out those evil and subversive elements which threaten to destroy those freedoms which are at once America's inspiration and the bulwark of its strength."

U. S. Chamber Com. Approves Man-Power Stabilization Plans

Operation of the War Manpower Commission's area labor stabilization plans have demonstrated the soundness of that approach to the man-power problem, in the opinion of the Manufacture Committee of the Chamber of Commerce of the United States. Advices to this effect were contained in a dispatch Sept. 23 to the New York "Herald Tribune" from its Washington bureau, in which it was also stated:

Reporting today to the Chamber's board of directors, the committee held that national service legislation, such as is proposed in the Austin-Wadsworth bill, is unnecessary, and urged that the present voluntary effort be continued and strengthened. "Such legislation would stifle willing effort and substitute compulsion," the committee said.

Steps Taken To Permit Service Vote In '44

Indicating that preliminary steps to enable several million members of the armed services to cast absentee ballots in the 1944 State primaries and the Presidential election were taken in Congress on Sept. 24. Associated Press advices from Washington appearing in the New York "Journal American" stated that Senator Green (Dem., R. I.), Chairman of the Senate Elections Committee, announced he had asked Secretary of War Stimson and Secretary of the Navy Knox to give the Committee their views on a pending plan to permit overseas service men and women to use a simplified V-mail ballot.

As soon as the statements from Secretaries Stimson and Knox are received, Mr. Green said, he would open hearings on the proposal, which he sponsored with Senator Lucas (Dem., Ill.).

Representative Worley (Dem., Tex.), Chairman of the House Committee on Elections, also announced plans to open hearings on similar legislation well in advance of the first primaries next March, said the advices from which we quote, which also had the following to say:

"Principal provisions of the pending legislation are:

"An 'overseas war ballot,' printed on paper suitable for V-mail processing, for voting for President and members of Congress. The War and Navy Departments would print, distribute and assemble the ballots with commanding officers of all service units responsible for seeing that any eligible service man or woman obtained one. An oath of eligiblity would be the only legal requirement."

Understanding Through The Annual Report

(Continued from first page)

customer—that is, by the very people who think they are being benefitted by them. The public and private provisions for old age, accident, unemployment and other liabilities are business costs. They are paid through increased prices and decreased purchasing power. Business enterprise is not an original source of funds; it is only an intermediate paymaster — and if its income from operations is less than its outgo, the difference can be made up only by selling off, directly or indirectly, the facilities which must be used for production—that is, by dipping into the seed corn.

Exactly defining the function of a business unit is becoming of extreme importance in these days when so many post-war worlds are being constructed with alternate bricks of fact and fancy. The fancies—and a whole social fabric is being woven out of them—conceive of the paraphernalia of production and distribution as constituting in themselves the source of prosperity. In times of general prosperity, it is true, the machinery of production and distribution goes into high gear, and in so doing requires the employment of so large a number of human beings that nearly everyone who wishes work may find it at fairly satisfactory wages. This has brought about the widespread illusion that the whirring of the machinery causes the prosperity and the employment. From this illusion is deduced the theory that it is the social obligation of the owners of the machinery to keep it whirring and to preserve a high level of employment. It thus appears that depression and unemployment derive from the cupidity and incompetence of private owners, and that the answer is to be found in the selfless competence of the perfect bureaucrats of the perfect state.

The complete employment of our facilities in war is offered as conclusive proof that it is within the power of the State to provide complete employment in peace. We are told that, the State having demonstrated its ability to employ, the people will not again tolerate any condition which involves less than a high level of employment and at a high level of wages. It follows, so it is said, that if private ownership cannot justify itself by maintaining these high levels, the State in its riper confidence will take over.

This implies that the perfect State lies ready and willing to take over. If that were the case, and if only the cupidity of private owners stood between us and perfect material happiness, I am sure we should all stampede into the arms of the perfect State. But those of us who are in the management of industry know that we are only economic servants, that we possess no power to employ except as we are employed; that it is simply not in the wood to preserve—much less to increase—earnings by curtailing production, and that we are equally helpless with our employees against the primary power of our customers. We know from our accounts that we can produce and exchange our products only as others produce and exchange with us. For as we all know, the only thing originated by a corporation, independent of exchange, is depreciation.

All of that would be wholly apparent, if we simply and intelligently presented our financial accounts. Also it would be wholly apparent that if the State stepped into our shoes it would be in no better case than we are—for although the items of cost might be shifted and given different names, they would all be present somewhere in the body economic.

Our economy, although it consists of things, has to be expressed in money representations, and it is our job as controllers to keep the things in balance through money symbols. Bookkeeping is not an abstract science, and its end is not making the figures on the left page exactly balance with the figures on the right page. But the only known method of accounting accurately for the production of goods and services is by the use of double-entry bookkeeping. Whenever words are used to arouse the emotions, we should check them for accuracy with our debits and credits. We controllers are not the fifth wheels of business. We are such an integral part of management that without us the management wheel would break and the business vehicle would founder.

Our records are the master tools of our economy and they provide the facts which represent the things that go to make up our economy. Each enterprise is a segment of our national economy. The total of our records is the national economy. If each of us present our segment in understandable form, the total national economy will be understandable, and as a nation we shall be in a position to arrange and govern ourselves on the facts, instead of as at present, by trial and error. That is why I regard the intelligible annual report not as a duty but as an elementary act of self-preservation, and that is also why I regard the unintelligible annual report as an invitation to misunderstanding.

It has been the custom of the Steel Corporation through the years to present the ordinary accounting reports in considerably more than the required detail, with whatever supporting accounts seemed necessary for a full understanding. We still do that. But in recent years it has been borne in on us that technical accounting and its language tells the story only to those few who have the ability to analyze them—and that the accounts did not at all tell the story to the considerable audience that wanted to understand our workings but could not understand our accounting language and presentation. Therefore we have been making over our formal accounts and terminology in order that they could not mislead, and we have evolved from them several new presentations which we think tell better the economic story of the year. We have conceived of our new form of income account as having one primary function—to focus attention upon the important cost of factors affecting the period through which we are passing.

We view our income account in terms of cost elements which are applicable to every business enterprise, every operation of government, and even to charitable organizations. We seek to deal with the simple account, with credits and debits being paraphrased into receipts and costs. Thus, for the purpose of reporting to the public, our financial affairs consist only of receipts and costs, and we have dropped out of our income statements the word "net," the word "profit" and the word "surplus" and we have dropped also the practice of drawing sub-totals and making intermediate stops to note "income" or "profits" before this or that payment. We hold that there can be only one kind of income and that it is the figure obtained by subtracting all the costs from all the receipts.

Basically, we account for all the monies that have been paid to us during the year. That, we believe, is what the public expects us to account for. We are answering the questions, "What did you do with the money we paid to you? Who got what out of the business?" The first major item in our presentation is "Total Products and Services Sold." It is comprised of sales and miscellaneous revenues. It is, in terms of the simple account, the total amount received from our customers. In an ultimate sense, everything below that figure is a cost to the business.

The first cost element presented is what we call "Employment Costs." It comprises wages, salaries, social security taxes and pensions. In our presentation — as distinguished from the traditional accounting statement where such an item is not shown—we have grouped these important costs together. The figure used for wages and salaries excludes the amounts charged to construction. We desired especially to show that only as there is exchange of goods and services upon which the whole economy functions can there be employment.

Another major element of cost is "Purchased Products and Services." This represents the sum spent for outside purchases of goods and services in order to do business. Depreciation is represented for what it is—the cost of the wearing out of the facilities used by the workers. Instead of "Contingent Reserve" or "Special Reserve" our statement carries "Estimated Additional Costs Applicable to This Period Arising Out of War." This element represents management's estimate of the cost of repairs which must be deferred, and of those costs which will be incurred in the transition to a peace-time basis. It is not an "additional profit" that has been withheld: it is a vital part of present costs.

The interest item in our presentation represents, of course, the payment for the use of borrowed savings. The final element of costs is taxes—Federal, State and local.

There are many in our Government—as witness the philosophy of the renegotiation procedure—who consider that taxes are not a true cost. Some accountants have contributed to this view of looking upon income taxes as a share of the net income going to government, thus considering income before taxes as the true income of the business. But the real fact is that taxes are as inescapable as any other item of cost and they cannot be ignored by management in the conduct of business or the formulation of policy.

Let us make it plain that corporations are only tax collectors, taking from the customers for the Government. There is a fiction, firmly planted in the public mind as a truth, that the shareholders and not the public pay corporate taxes. We in business tend to confirm the fiction by our habit of expressing taxes as so much per share. The item "Profits Before Taxes" included in so many reports—which is only taxes per share in bulk—makes shareholders wistful. But the effect on the public and their political representatives is quite otherwise. They believe that, if it had not been for the tax, the stockholders would have been pulling down wads of unearned money, and they are grateful to their tax watchers for getting to these melons before they could be cut. Both the stockholders and the public are, of course, wrong. Corporate taxes are simply costs, and the method of their assessment does not change this fact. Costs must be paid by the public in prices, and corporate taxes are thus, in effect, concealed sales taxes. We do not exactly know the incidence of corporate taxes, but we do know that they have to be paid out of the prices charged, for there is no other source of funds.

In closing, let me remind you that public opinion is formed by the relatively few. It is not formed by those who read only the tabloids and the funnies. In every shop, public opinion is formed by a small number of highly intelligent workers, and the same is true of every community. It is our job to furnish these people with the facts on which they can form their opinions. Ours is not the task to make a case for business, for labor, for management, for stockholders or for any particular group. Ours is always the task to make the case for the truth and the facts as they are, and to do it in clear language that will convey its complete understanding.

And unless we do secure in America an understanding of the components of a healthy production and distribution there can be no future for the enterprise system or for the United States. It is a task in which we must not fail. It is a task in which we need not fail.

Living Costs In Large Cities Declined 0.5% Between July 15-Aug. 15, Says Labor Bureau

Fresh vegetable prices continued seasonally lower from mid-July to mid-August and resulted in the third consecutive monthly decline in the cost of living for city workers—a drop of 0.5%, Secretary of Labor Perkins reported on Sept. 14. "Food prices as a group were down 1.3% and more than balanced smaller increases during the month for other goods and services," she said.

Secretary Perkins further reports:

"Since the decline in food prices began in May, the average family food bill for staples has come down by 4.1% and the entire cost of living by 1.5%. The index computed by the Bureau of Labor Statistics now stands at 123.2% of its 1935-39 average.

"Food prices are high, notwithstanding these summer declines. They averaged about 9% above last year and nearly 47% above the low levels prevailing just before the outbreak of war in Europe in August, 1939. This August the sharp price declines for fresh fruits and vegetables averaged 7%, but they were considerably greater in some cities than in others. Cabbage was down nearly 25% during the month, sweet potatoes and apples 17%, green beans 15%, onions and white potatoes 10%, spinach 8%, and there were small reductions for carrots, lettuce, beets and grapefruit.

"However, vegetables remained at comparatively high levels—about 33% above last August and more than 90% above August 1939. Thus, sweet potatoes cost 14 cents a pound, compared with 5½ cents a pound just before the war. Green beans and spinach this August sold for 14 and 13 cents, respectively, against pre-war prices of 7 and 8 cents.

"Aside from fresh produce, the most important declines in August were in prices for fresh fish, which have been rising steadily to more than double pre-war levels. Under a new OPA ceiling regulation there was a decline during the month of 3.5%. There were also declines for meats, amounting to 0.8% for beef and veal, 0.9% for pork and 1.1% for lamb, representing continued adjustments to an OPA 'cutback' which reduced prices in the previous month. The only other important price movements in the food group were a seasonal increase of 9% for eggs, an advance of 4.6% for tea and decline of 2.0% for canned peas and canned vegetable soup.

"Differences from city to city in food price changes were unusually great from July to Auugst. In northern areas price reductions were especially large, amounting on the average to 2.3% in New York, 2.9% in Detroit and 2.8% in Bridgeport and Denver. In many southern cities, because of the earlier growing season, prices had already begun to increase seasonally.

"Living costs other than food were on the whole moderately higher from July to August. Clothing prices rose 0.2%, the disappearance of lower price lines more than balancing clearance sales for certain summer goods. House furnishings and fuels and utility rates were up 0.1%. Miscellaneous goods and services rose 0.3%, because of higher charges by hospitals, motion picture houses and beauty and barber shops. Rent costs are collected quarterly by the Bureau of Labor Statistics and have shown very little change for some time."

COST OF LIVING IN LARGE CITIES

Indexes, 1935-39=100*

Date—	All items	Food	Clothing	Rent	Fuel electricity and ice	House-furnishings	Miscellaneous
1939: Aug. 15	98.6	93.5	100.3	104.3	97.5	100.6	100.4
1941: Jan. 15	100.8	97.8	100.7	105.0	100.8	100.1	101.9
1942: May 15	116.0	121.6	126.2	109.9	104.9	122.2	110.9
Aug. 15	117.5	126.1	125.2	108.0	106.2	123.0	111.1
Sep. 15	117.8	126.6	125.8	108.0	106.2	123.6	111.4
1943: July 15	123.8	139.0	128.6	†	107.7	125.4	115.9
Aug. 15	123.2	137.2	128.9	†	107.8	125.5	116.2

PERCENT OF CHANGE

Date—	All items	Food	Clothing	‡Rent	Fuel, electricity and ice	House-furnishings	Miscellaneous
July 15, 1943 to Aug. 15, 1943	— 0.5	— 1.3	+ 0.2	†	+ 0.1	+ 0.1	+ 0.3
Sep. 15, 1942 to Aug. 15, 1943	+ 4.6	+ 8.4	+ 2.5	0	+ 1.5	+ 1.5	+ 4.3
Aug. 15, 1942 to Aug. 15, 1943	+ 4.9	+ 8.8	+ 3.0	0	+ 1.5	+ 2.0	+ 4.6
May 15, 1942 to Aug. 15, 1943	+ 6.2	+12.8	+ 2.1	—1.7	+ 2.8	+ 2.7	+ 4.8
Jan. 15, 1941 to Aug. 15, 1943	+22.2	+40.3	+28.0	+2.9	+ 6.9	+25.4	+14.0
Aug. 15, 1939 to Aug. 15, 1943	+24.9	+46.7	+28.5	+3.5	+10.6	+24.8	+15.7

*These indexes are based on changes in the cost of goods purchased by wage earners and lower-salaried workers in large city.

†Rents surveyed at quarterly dates, March 15, June 15, Sept. 15, and Dec. 15.

‡Changes through June 15, 1943.

Threaten Free Press

Washington bureaucrats are threatening the nation's free press, Charles P. Manship, publisher of the Baton Rouge (La.) "State-Times and Advocate" and President of the Southern Newspaper Association, declared on Sept. 25. The job of preventing Government bureaus from perpetuating themselves after the war will fall on the press, Mr. Manship asserted, according to Hot Springs, Ark., advices to the New York "Journal-American," which also noted him as saying, "without a free press, there's no such thing as a free country. If you lose a free press, you lose all other freedoms, including those four now broadly cited."

Papers Raise Price

The Toledo (Ohio) "Blade" announces a price increase from three to four cents a single copy, effective Sept. 27. The announcement cited a 16% increase in the price of newsprint during the last six months and other mounting costs, including wages.

The Altoona (Pa.) "Mirror" has also raised its price to four cents instead of three. The home delivery price has been raised from 75 to 95 cents.

August Retail Prices Increased Slightly, According To Fairchild Publications Index

The Fairchild Publications retail price index has increased 0.1% to 113.1 after having remained unchanged for two consecutive months. This increase brings the index to the same level it was in September, 1942, at which time it remained constant for eight months. It is 27.2% higher than the period just preceding the outbreak of war in 1939.

The Fairchild announcement on Sept. 15 further stated:

"Each of the five major groups remained unchanged with the exception of women's apparel which increased 0.3%. Furs continue to advance, and although there was a slight decline in hose it did not quite offset the advance in furs, causing the rise in women's apparel. Women's apparel also showed the greatest increase over 1942, 0.3%. Compared to the same period piece goods declined 0.1%, and home furnishings remained the same. Piece goods increased the most, and infants' wear the least over the pre-war period of 1939.

"Of the individual items only furs and women's hose showed any change during the month. Furs increased 1.2% and women's hose declined 0.1%. The index is still showing some effects of the price ceilings set on hosiery by the Maximum Price Schedule 339. Women's hose also declined from last year, 5.2%, whereas furs increased 4.7%. The next largest rise occurred in men's clothing, 0.5%. This advance is less than over Aug. 1, 1942 since at that time the price regulation was issued permitting a certain percentage markup in determining the ceiling prices of men's outer coats. In comparison to 1939 furs increased the most and women's shoes the least.

"The index continues to fluctuate slightly and the indications are that it will remain comparatively stable in the near future, according to A. W. Zelomek, economist under whose supervision the index is compiled. Any further fluctuations will continue to be minor."

THE FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX

JAN. 3, 1931=100

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	May 1, 1933	Sept. 1, 1942	June 1, 1943	July 1, 1943	Aug. 1, 1943	Sept. 1, 1943
Composite Index	69.4	113.1	113.0	113.0	113.0	113.1
Piece Goods	65.1	112.3	112.2	112.2	112.2	112.2
Men's Apparel	70.7	105.2	105.3	105.3	105.3	105.3
Women's Apparel	71.8	112.7	112.6	112.7	112.7	113.0
Infants' Wear	76.4	108.0	108.1	108.1	108.1	108.1
Home Furnishings	70.2	115.5	115.5	115.5	115.5	115.5
Piece Goods						
Silks	57.4	84.8	84.7	84.7	84.7	84.7
Woolens	69.2	108.1	108.0	108.0	108.0	108.0
Cotton Wash Goods	68.6	143.9	143.8	143.8	143.8	143.8
Domestics						
Sheets	65.0	126.9	126.8	126.8	126.8	126.8
Blankets & Comfortables	72.9	135.0	135.0	135.0	135.0	135.0
Women's Apparel						
Hosiery	59.2	94.1	91.1	89.9	89.3	89.2
Aprons & House Dresses	75.5	140.5	140.5	140.5	140.5	140.5
Corsets & Brassieres	83.6	111.2	111.2	111.2	111.2	111.2
Furs	66.8	135.4	137.9	139.3	140.0	141.7
Underwear	69.2	102.7	102.7	102.7	102.7	102.7
Shoes	76.5	92.4	92.4	92.4	92.4	92.4
Men's Apparel						
Hosiery	64.9	108.0	108.1	108.1	108.1	108.1
Underwear	69.6	114.6	114.8	114.8	114.8	114.8
Shirts & Neckwear	74.3	99.0	99.1	99.1	99.1	99.1
Hats & Caps	69.7	94.3	94.3	94.3	94.3	94.3
Clothing incl. Overalls	70.1	105.5	106.0	106.0	106.0	106.0
Shoes	76.3	109.6	109.6	109.6	109.6	109.6
Infant's Wear						
Socks	74.0	114.5	114.6	114.6	114.6	114.6
Underwear	74.3	103.6	103.7	103.7	103.7	103.7
Shoes	80.9	105.9	106.0	106.0	106.0	106.0
Furniture	69.4	129.2	129.2	129.2	129.2	129.2
Floor Coverings	79.9	146.8	146.9	146.9	146.9	146.9
Radios	50.6	66.8	66.8	66.8	66.8	66.8
Luggage	60.1	94.7	94.7	95.7	95.7	95.7
Electrical Household Appliances	72.5	93.5	93.5	93.5	93.5	93.5
China	81.5	110.6	110.6	110.6	110.6	110.6

NOTE—Composite Index is a weighted aggregate. Major group indexes are arithmetic average of subgroups.

Civil Engineering Construction 66% Above Week Ago

Civil engineering construction volume in continental U. S. totals $71,951,000 for the week. This volume, not including the construction by military combat engineers, American contracts outside the country, and shipbuilding, is 66% higher than in the preceding week but is 51% lower than in the corresponding 1942 week as reported by **Engineering News-Record** on Sept. 23. Comparisons with last week show private work 53% higher, and public work up 68% as a result of the 27% rise in State and municipal work, and the 77% climb in Federal volume. The report continued as follows:

Private work tops the 1942 week by 25%, but public construction is down 55%.

The current week's construction brings 1943 volume to $2,437,651,000, an average of $64,149,000 for each of the 38 weeks. On the weekly average basis, 1943 volume is 67% below the $7,632,606,000 reported for the 39-week 1942 period. Private construction, $312,444,000, is 32% lower than a year ago, and public construction, $2,125,207,000, is down 69% when adjusted for the difference in the number of weeks.

Civil engineering construction volumes for the 1942 week, last week, and the current week are:

	Sept. 24, 1942	Sept. 16, 1943	Sept. 23,1943
Total U. S. construction	$147,699,000	$43,332,000	$71,951,000
Private construction	7,619,000	6,218,000	9,491,000
Public construction	140,080,000	37,114,000	62,460,000
State and municipal	7,344,000	6,579,000	8,366,000
Federal	132,736,000	30,535,000	54,094,000

In the classified construction groups, gains over last week are in bridges, industrial and public buildings and earthwork and drainage. Gains over the 1942 week are in bridges, industrial buildings and earthwork and drainage. Subtotals for the week in each class of construction are: waterworks, $288,000; sewerage, $715,000; bridges, $1,840,000; industrial buildings, $5,905,000; commercial buildings, $2,403,000; public buildings, $43,441,000; earthwork and drainage, $2,841,000; streets and roads, $6,802,000, and unclassified construction, $7,716,000.

New capital for construction purposes for the week totals $100,811,000. This volume is made up of $100,000,000 in Federal appropriations for construction and $811,000 in State and municipal bond sales.

New construction financing for the 38 weeks of 1943, $3,030,299,000, is 67% below the $9,530,701,000 reported for the 39-week period last year.

Cotton Ginned from Crop of 1943 Prior to Sept. 16

The census report issued on Sept. 23, compiled from the individual returns of the ginners is shown below:

Number of bales of cotton ginned from the growth of 1943 prior to Sept. 1, 1943, and comparative statistics to the corresponding date in 1942 and 1941.

RUNNING BALES
(Counting round as half bales and excluding linters)

State—	1943	1942	1941
United States	*3,734,129	*2,077,933	*2,091,389
Alabama	403,482	198,934	250,034
Arizona	9,936	5,150	22,553
Arkansas	301,699	104,712	284,517
Florida	9,747	9,513	10,889
Georgia	343,112	260,330	262,527
Louisiana	371,686	199,300	100,979
Mississippi	737,891	407,282	384,752
Missouri	39,236	41,540	125,403
New Mexico	5,184	295	35
North Carolina	74,917	57,324	53,969
Oklahoma	26,435	10,331	28,109
South Carolina	214,234	149,169	87,938
Tennessee	69,607	33,860	94,952
Texas	1,125,919	599,007	381,620
All other States	1,044	1,186	3,112

*Includes 107,053 bales of the crop of 1943 ginned prior to Aug. 1 which was counted in the supply for the season of 1942-43, compared with 48,625 and 1,969 bales of the crops of 1942 and 1941.

The statistics in this report include no round bales for 1943; none for 1942 and 131 for 1941. Included in the above are 3,289 bales of American-Egyptian for 1943, 1,204 for 1942 and 2,517 for 1941; also 8 bales Sea-Island for 1943, 135 for 1942 and 327 for 1941.

The statistics for 1943 in this report are subject to revision when checked against the individual returns of the ginners being transmitted by mail. The revised total of cotton ginned this season prior to Sept. 1 is 1,786,313 bales.

Consumption and Stocks—United States

Cotton consumed during the month of August, 1943, amounted to 842,260 bales. Cotton on hand in consuming establishments on Aug. 31 was 1,928,808 bales, and in public storages and at compresses 8,026,906 bales. The number of active consuming cotton spindles for the month was 22,632,776.

In the interest of national defense, the Department of Commerce has discontinued until further notice the publication of statistics concerning imports and exports.

World Statistics

Because of war conditions and the difficulty in obtaining dependable world statistics such data are being omitted from this report for the time being.

Industrial Activity Maintained High Level In August, Federal Reserve Board Reports

The Board of Governors of the Federal Reserve System announced on Sept. 22 that industrial activity and war expenditures were maintained in August at a high level. Commodity prices showed little change. Retail trade continued in large volume.

The Board's summary of general business and financial conditions follows:

Industrial Production

"Output of manufactures and minerals showed little change in August and the Board's seasonally adjusted total index of industrial production remained at the July level. Production of durable manufactures increased. Output of iron and steel continue to advance and reached the peak levels achieved earlier this year. There were further slight increases in activity at war plants in the transportation equipment industries. Output of other durable products showed little change.

"Production of nondurable goods declined in August, reflecting further decreases in output of textile, leather, and food products. Cotton consumption in August was about 15% lower than the same period a year ago and was at the lowest level since the beginning of 1941. Leather output has also declined in recent months and is currently close to pre-war levels. Activity at meat-packing plants showed the usual seasonal decline in August, but preliminary figures indicate that output was about one-fifth larger than a year ago. Output of most other manufactured goods declined somewhat further. Production of petroleum, coke and rubber products continued to advance in August while chemical production showed little change. Production of crude petroleum continued to rise and in August was in the largest volume on record. Lake shipments of iron ore likewise reached a record level. Production of coal and metals was maintained in large volume.

Distribution

"Department store sales continued large in August and the first half of September. Increases during this period were less than seasonal, however, following maintenance of sales at a comparatively high level during July. For the year to date value of sales at department stores has been about 13% greater than in the corresponding period last year, reflecting in part price increases. Inventories at department stores have increased in recent months and are now somewhat higher than at the beginning of this year, indicating that receipts of new merchandise have been in excess of the value of goods sold.

"Total carloadings were maintained in large volume during August and the first half of September. Shipments of grain showed a less than seasonal decline from the peak reached in July and were one-fifth larger than August a year ago.

Commodity Prices

"The general level of wholesale commodity prices continued to show little change in August and the early part of September. Prices of lumber and newsprint were increased, while prices of fruits and vegetables showed further seasonal declines.

"In retail food markets prices of apples and fresh vegetables decreased further from mid-July to mid-August. The Bureau of Labor Statistics' cost of living index declined one-half of 1% as decreases in foods were partly offset by small increases in retail prices of other goods and services.

Agriculture

"General crop prospects declined slightly in August, according to official reports. The forecast for corn production was raised by 3% to almost 3,000,000,000 bushels, while prospects for other feed crops declined. Production of cotton indicated on Sept. 1 was 11,700,000 bales as compared with a crop of 12,800,000 last season. Milk production in August was estimated to be 2% smaller than output a year ago, while marketings of most other livestock products continued in larger volume than last year.

Bank Credit

"In mid-September excess reserves of member banks rose sharply to about $2,000,000,000 from the average level of about $1,100,000,000 which had prevailed in the latter part of August and early in September. This increase was due in part to the fact that the Treasury was making disbursements out of temporary borrowing from Reserve Banks on special certificates in anticipation of tax collections and receipts from the Third War Loan Drive. It also reflected in part a substantial decrease in required reserves at the middle of the month when funds from individual and corporate deposits were transferred to Government loan accounts which are not subject to reserve requirements. During the four weeks ended Sept. 15 the Reserve System holdings of Government securities increased by about $1,000,000,000 in addition to the special certificates taken directly from the Treasury. Most of the increase was in the form of Treasury bills sold to the Reserve Banks with sellers retaining the option to repurchase. Over this four-week period currency in circulation increased by about $560,000,000 to a total of $18,800,000,000 outstanding.

"In the last two weeks of August and the first week of September, reporting member banks in 101 leading cities showed a net decline in security holdings as a result of the sale of bills to the Reserve System. In the week ending Sept. 15, however, some non-banking holders sold securities to the banks in anticipation of purchases during the Drive, and bank holding also increased through repurchase of bills from the Reserve System.

"Commercial loans, which had expanded by $100,000,000 in July and in August, increased by $250,000,000 during the week ending Sept. 15. This increase in commercial loans was shaded by both New York and other reporting member banks. In the week ending the 15th, loans to brokers and dealers in New York City increased $370,000,000, most of which was for purchasing and carrying Government securities, and there was also an increase in loans on securities to others."

Law Elected Director Of Comm. & Ind. Ass'n

Clarence L. Law, Vice-President of the Consolidated Edison Company of New York, Inc., was on Sept. 14 elected a member of the Board of Directors of the Commerce and Industry Association of New York. Mr. Law has been with the Consolidated Edison and predecessor companies since Nov. 1, 1906, and for many years has played an important role in employee activities. He has long been associated with industrial and civic organizations and is Vice-President of the Advertising Club of New York and a member of the Board of Managers of the Engineers Club.

Federal Reserve August Business Indexes

The Board of Governors of the Federal Reserve System issued on Sept. 22 its monthly indexes of industrial production, factory employment and payrolls, etc. At the same time, the Board made available its customary summary of business conditions. The indexes for August, together with comparisons for a month and a year ago, follow:

BUSINESS INDEXES

1935-39 average = 100 for industrial production and freight-car loadings;
1939=100 for factory employment and payrolls;
1923-25 average = 100 for all other series

	Adjusted for —Seasonal Variation—			Without —Seasonal Adjustment—		
	Aug. 1943	July 1943	Aug. 1942	Aug. 1943	July 1943	Aug. 1942
Industrial production—						
Total	†203	203	183	†207	205	187
Manufactures—						
Total	†215	215	193	†218	217	196
Durable	†305	302	258	†307	303	260
Nondurable	†143	145	140	†146	147	144
Minerals	†137	136	130	†143	141	136
Construction contracts, value--						
Total	*	60	182	*	67	194
Residential	*	36	65	*	36	64
All other	*	80	278	*	92	300
Factory employment—						
Total	†167.9	169.7	155.1	†169.9	169.6	157.1
Durable goods	†229.7	229.5	198.5	†230.3	229.5	199.2
Nondurable goods	†119.3	122.4	120.9	†122.3	122.4	123.9
Factory payrolls—						
Total	---	---	---	*	315.5	254.8
Durable goods	---	---	---	*	439.5	342.0
Nondurable goods	---	---	---	*	194.3	169.5
‡Freight-car loadings	141	142	141	145	146	144
Department store sales, value	†138	142	130	†109	98	103
Department store stocks, value	*	110	137	*	99	132

*Data not yet available. †Preliminary or estimated. ‡Revised seasonally adjusted indexes. Back figures may be obtained from the Division of Research and Statistics.

Note—Production, carloadings, and department store sales indexes based on daily averages. To convert durable manufactures, non-durable manufactures and minerals indexes to points in total index, shown in Federal Reserve Chart Book, multiply durable by .379, non-durable by .469, and minerals by .152.

Construction contract indexes based on three-month moving averages, centered at second month, of F. W. Dodge data for 37 Eastern States. To convert indexes to value figures, shown in the Federal Reserve Chart Book, multiply total by $410,269,000, residential by $184,137,000, and all other by $226,132,000.

Employment index, without seasonal adjustment, and payrolls index compiled by Bureau of Labor Statistics.

INDUSTRIAL PRODUCTION
(1935-39 average = 100)

	Adjusted for —Seasonal Variation—			Without —Seasonal Adjustment—		
Manufactures—	Aug. 1943	July 1943	Aug. 1942	Aug. 1943	July 1943	Aug. 1942
Iron and steel	210	203	197	210	203	197
Pig iron	202	191	190	202	191	190
Steel	235	229	218	235	229	218
Open hearth and Bessemer	184	180	177	184	180	177
Electric	598	577	507	598	577	507
Machinery	†361	361	299	†361	361	299
Transportation equipment	†634	625	458	†634	625	458
Non-ferrous metals & products	†189	188	191	†189	188	191
Lumber and products	†125	124	129	†133	130	138
Lumber	†117	114	125	†128	123	139
Furniture	†142	142	136	†142	142	136
Stone, clay, & glass products	*	134	145	*	147	160
Cement	*	114	177	*	131	195
Polished plate glass	54	50	30	54	50	30
Textiles and products	†143	147	154	†143	147	154
Cotton consumption	147	153	169	147	153	169
Rayon deliveries	†178	183	169	†178	183	169
Wool textiles	*	146	154	*	146	154
Leather products	*	109	113	*	107	118
Tanning	*	104	117	*	99	120
Cattle hide leathers	*	117	141	*	109	134
Calf and kip leathers	*	85	95	*	84	100
Goat and kid leathers	*	84	70	*	83	69
Shoes	*	112	110	*	112	117
Manufactured food products	†137	145	143	†156	157	165
Wheat flour	122	118	105	123	116	106
Meat packing	†186	183	153	†156	170	132
Other manufactured foods	†132	143	146	†156	153	173
Tobacco products	*	132	130	*	138	135
Cigars	*	95	112	*	99	115
Cigarettes	*	166	152	*	175	160
Manufactured tobacco & snuff	*	83	88	*	84	89
Paper and products	*	134	131	*	130	130
Paperboard	151	143	123	151	143	123
Newsprint production	*	91	108	*	89	105
Printing and publishing	†114	114	111	†106	103	103
Newsprint consumption	105	104	108	93	91	95
Petroleum and coal products	*	124	121	*	124	121
Petroleum refining	*	119	114	*	118	114
Gasoline	†115	109	109	†115	109	109
Fuel oil	*	145	130	*	145	130
Lubricating oil	*	121	117	*	120	116
Kerosene	*	118	106	*	110	101
Coke	†170	162	165	†170	162	165
Byproduct	†159	153	155	†159	153	155
Beehive	†533	451	505	†533	451	505
Chemicals	†221	227	173	†218	220	170
Minerals—						
Fuels	†137	136	126	†137	136	126
Bituminous coal	†153	155	140	†153	155	140
Anthracite	†128	129	118	†128	129	118
Crude petroleum	†131	128	121	†131	128	121
Metals	†136	138	152	†177	173	194
Iron ore	256	256	239	410	398	388

†Preliminary or estimated. *Data not yet available.

FREIGHT-CAR LOADINGS
(1935-39 average = 100)

*Coal	145	146	136	145	146	136
*Coke	191	184	182	183	178	175
*Grain	147	143	119	158	172	129
*Livestock	117	113	106	111	97	†101
Forest products	148	150	165	156	150	173
*Ore	208	202	206	312	323	308
Miscellaneous	147	148	152	147	147	152
Merchandise, l.c.l.	63	64	57	64	63	57

Note—To convert coal and miscellaneous indexes to points in total index, shown in the Federal Reserve Chart Book, multiply coal by .213 and miscellaneous by .548.

†Revised. *Revised seasonally adjusted indexes. Back figures may be obtained from the Division of Research and Statistics.

Wholesale Commodity Index Advanced 0.1% During Week Ended Sept. 18, Says Labor Dept.

The U. S. Department of Labor announced on Sept. 23 that advancing markets for farm products, particularly grains and livestock, brought the Bureau of Labor Statistics' index of commodity prices in primary markets up 0.1% during the week ended Sept. 18. At 102.9% of the 1926 average the all-commodity index is slightly higher than at this time last month and 3.6% above the correspondin week of last year.

The Department's announcement further explained:

"**Farm Products and Foods**—Led by an increase of 1.8% for grains, average prices for farm products in primary markets rose 0.3% during the week. Oats advanced nearly 8%; rye, 4%; barley, almost 3%; and wheat, over 1%. Quotations were also higher for cows and hogs, and for eggs, lemons, flaxseed, and hay. Prices were lower for a few important agricultural commodities such as cotton, wool, apples, onions, and potatoes.

"A decline of almost 2% for fresh fruits and vegetables was responsible for a decrease of 0.3% in the foods group index. Lower prices were also reported for oatmeal and rye flour. In the past 4 weeks, average prices for foods in primary markets have droppd 1.2%.

"**Industrial Commodities** — Industrial commodity markets continued comparatively steady. Higher prices for natural gasoline in the Oklahoma region forced the index for petroleum products up 0.2%. Lumber advanced 0.2% because of increased sales realization prices for maple flooring and higher quotations for spruce lumber."

The following notation is made:

"During the period of rapid changes caused by price control, materials allocation, and rationing the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following table shows index numbers for the principal groups of commodities for the nast 3 weeks, for Aug. 21, 1943 and Sept. 19, 1942, and the percentage changes from a week ago, a month ago, and a year ago:

(1926=100)

						Percentage changes to Sept. 18, 1943 from—		
Commodity groups—	9-18 1943	9-11 1943	9-4 1943	8-21 1943	9-19 1942	9-11 1943	8-21 1943	9-19 1942
All commodities	*102.9	*102.8	*102.8	*102.8	99.3	+0.1	+0.1	+ 3.6
Farm products	*123.6	*123.2	*123.3	*123.8	107.1	+0.3	—0.2	+15.4
Foods	104.5	104.8	104.7	105.8	102.0	—0.3	—1.2	+ 2.5
Hides and leather products	118.4	118.4	118.4	118.4	118.6	0	0	— 0.2
Textile products	97.0	97.0	97.0	96.9	96.9	0	+0.1	+ 0.4
Fuel and lighting materials	81.6	81.7	81.7	81.7	79.6	—0.1	—0.1	+ 2.5
Metals and metal products	*103.8	*103.8	*103.8	*103.8	103.9	0	0	— 0.1
Building materials	112.5	112.5	112.2	112.1	110.4	0	+0.4	+ 1.9
Chemicals and allied products	100.2	100.2	100.2	100.2	96.2	0	0	+ 4.2
Housefurnishing goods	104.2	104.2	104.2	104.2	104.1	0	0	+ 0.1
Miscellaneous commodities	92.6	92.6	92.4	92.4	88.6	0	+0.2	+ 4.5
Raw materials	*112.4	*112.2	*112.3	*112.7	101.5	+0.2	—0.3	+10.7
Semimanufactured articles	92.8	92.8	92.8	92.8	92.8	0	0	0
Manufactured products	*100.1	*100.1	*100.0	*100.0	99.4	0	+0.1	+ 0.7
All commodities other than farm products	*98.5	*98.5	*98.4	*98.4	97.6	0	+0.1	+ 0.9
All commodities other than farm products and foods	97.4	*97.4	*97.3	*97.3	95.7	0	+0.1	+ 1.8

*Preliminary.

August Life Insurance Sales Advance

The sales of ordinary life insurance in the United States in August amounted to $610,607,000, a 35% increase over the amount sold in the same month of 1942, according to the monthly survey issued by the Life Insurance Sales Research Bureau, Hartford, Conn. The total sales volume for the first eight months of 1943, aggregating $4,742,133,000, is 3% above the amount sold in the same period in 1942.

The sales volume and the ratios for all sections are reported by the Bureau as follows:

	AUGUST, 1943		YEAR TO DATE	
	Sales Volume in $1,000	Ratios '43-'42 All Cos.	Sales Volume in $1,000	Ratios '43-'42 All Cos.
U. S. Total	$610,607	135%	$4,742,133	103%
New England	45,328	123	364,013	98
Middle Atlantic	151,171	141	1,243,707	100
E. N. Central	134,403	130	1,055,461	101
W. N. Central	63,610	137	474,869	106
S. Atlantic	67,305	144	481,745	108
E. S. Central	24,259	132	189,719	101
W. S. Central	42,319	129	334,688	104
Mountain	18,507	149	135,850	117
Pacific	63,705	137	462,081	107

Steel Production Again Rises—New Orders Exceeding Actual Shipments—Backlogs High

"Steel mills are completing a sensational month, with average weekly production of ingots perhaps the highest on record," "The Iron Age" states in its issue of today (Sept. 30), further going on to say: "Even though September is a short month, total output promises to push close to the all-time peak set last March.

"New steel orders are exceeding actual shipments and authentic backlogs are reaching an unprecedented total. In some cases mills are booked up on sheets until next June. New military projects, which include one program requiring around 130,000 tons of plates, sheets, bars and structurals, must somehow be wedged into producers' books.

"The flat-rolled steel situation certainly is tighter now than at any time since the war began, as the result of heavier requirements for shipbuilding plates plus a gain in steel sheet needs. Many tin plate orders have been pushed back. Only about half of the hot-rolled sheets needed for a large container program for the Government have been placed so far.

"Utilizing all of the nation's electric-furnace steel capacity is as great a problem as it was a few weeks ago when WPB appealed for wider use of the high quality steel. A few electric-furnace units have been idle for lack of orders and one electric-furnace plant has been melting open-hearth steel in its units at considerable financial loss per ton of billets produced, just to keep the equipment busy and to help meet commitments.

"Seeking permission to use electric-furnace steel and to obtain delivery of it quickly, some war contractors have gone through considerable red tape to secure changes in old orders which originally called for open-hearth alloy. Recent reports indicate that open hearths in August produced about 69% of the alloy steel, whereas a few months earlier they accounted for 73% to 75% of total alloy steel production.

"Meanwhile, farm implement makers, despite governmental promises that they would be taken care of on their steel requirements, are finding it difficult to secure space on mill books due to delay in receiving allotments. On top of this, the industry's rating for CMP class B products has been dropped to AA-2, making it still more difficult to get component parts for tractors, combines, reapers, etc.

"WPB's recent letter prohibiting the acceptance of steel orders which have not been granted allotment numbers, has had little effect upon steel company order books. Most of this tonnage was cleared away before July 1. It is believed that the WPB by saying that no CMP order without allotment numbers could be accepted might have been aiming at preventing the building of neutralized backlogs for post-war shipment."

The American Iron and Steel Institute on Sept. 27 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 100.8% of capacity for the week beginning Sept. 27, or at a new high peak. This will compare with 100.6% one week ago, 99.4% one month ago and 97.3% one year ago. The operating rate for the week beginning Sept. 27 is equivalent to 1,756,900 tons of steel ingots and castings, compared to 1,753,400 tons one week ago, 1,732,500 tons one month ago, and 1,664,500 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Sept. 27 stated in part as follows:

"Demand for plates, sheets and bars dominates the market, with bookings running as far as six months, in the face of substantial tonnage for war purposes not yet scheduled, but some of which will be required in fourth quarter.

"To accommodate this added tonnage considerable shifting of schedules is expected. The situation will be helped by entry of new mills during fourth quarter, which will provide additional semi-finished steel as well as larger finishing capacity. This is not expected to be sufficient to cope with heavy essential requirements.

"Increased electric furnace production, to which considerable bar tonnage has been diverted from open hearths, has eased the situation in that product and deliveries on large sizes now are about the same as on smaller sections.

"Pig iron output in August established a new all-time high at 5,315,633 net tons, topping the former record made in March by 1,432 tons. In eight months this year pig iron production has aggregated 40,681,821 tons, compared with 39,491,105 tons in the same period last year. In August blast furnace capacity was operated at 98%, compared with an average of 96.2% for eight months. Included in the August total are 45,798 tons of ferromanganese and spiegeleisen, of which 439,742 tons have been made so far this year.

"Iron ore consumption in August was third highest for any month this year, being exceeded by the all-time record in January and also by March. Tonnage consumed totaled 7,616,801 gross tons, compared with 7,765,174 tons in January. For eight months this year 58,865,224 tons were smelted, compared with 56,271,764 tons in the corresponding period last year. Stocks on hand at furnaces and Lake Erie docks increased during August to 38,571,668 tons, compared with 43,236,172 tons at the same date last year. Furnaces in blast Sept. 1 numbered 174, one more than a month previous and four more than a year ago.

"Scrap supply in mose cases is sufficient for current needs, though some districts do not receive enough to prevent inroads into reserves. Demand shows some increase in the principal grades.

"Blast furnace operations are being shifted somewhat from foundry grades to basic as demand for the former has declined, while steelmaking needs increase. Many foundries are operating only part time, due to labor shortage and in less degree to lack of demand for castings. Some foundry allocations have been cut to meet requirements for basic."

Daily Average Crude Oil Production For Week Ended Sept. 18, 1943 Increased 21,800 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Sept. 18, 1943 was 4,375,750 barrels, an increase of 21,800 barrels over the preceding week and 440,000 barrels per day more than produced during the corresponding week of 1942. The current figure, however, is 176,350 barrels less than the daily average figure recommended by the Petroleum Administration for War for the month of September, 1943. Daily output for the four weeks ended Sept. 18, 1943 averaged 4,290,350 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,209,000 barrels of crude oil daily and produced 12,736,000 barrels of gasoline; 1,464,000 barrels of kerosine; 4,420,000 barrels of distillate fuel oil, and 8,524,000 barrels of residual fuel oil during the week ended Sept. 18, 1943; and had in storage at the end of that week 71,299,000 barrels of gasoline; 11,699,000 barrels of kerosine; 40,299,000 barrels of distillate fuel, and 66,893,000 barrels of residual fuel oils. The above figures apply to the country as a whole, and do not reflect conditions on the East Coast.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations September	*State Allowables Begin. Sept. 1	Actual Production Week Ended Sept. 18, 1943	Change from Previous Week	4 Weeks Ended Sept. 18, 1943	Week Ended Sept. 19, 1942
Oklahoma	347,000	358,000	†327,350	+ 150	326,400	376,000
Kansas	300,000	290,000	†296,900	+ 6,450	287,050	301,000
Nebraska	2,000	------	†1,800	----	1,800	3,300
Panhandle Texas			104,000	----	101,850	90,600
North Texas			140,600	----	140,500	136,900
West Texas			333,500	+ 1,000	306,300	212,800
East Central Texas			130,700	+ 500	130,250	85,700
East Texas			380,000	----	376,800	362,400
Southwest Texas			263,550	+ 1,300	254,300	165,150
Coastal Texas			485,300	+ 2,500	480,450	324,700
Total Texas	1,909,000	‡1,946,153	1,837,650	+ 5,300	1,790,450	1,378,250
North Louisiana			82,350	+ 250	82,150	99,900
Coastal Louisiana			278,500	----	274,750	240,400
Total Louisiana	375,000	399,000	360,850	+ 250	356,900	340,300
Arkansas	80,100	80,052	77,350	+ 700	76,750	73,350
Mississippi	50,000		48,850	— 300	50,450	73,500
Illinois	222,800		217,300	—10,150	217,000	253,400
Indiana	13,800		14,950	+ 950	14,200	16,750
Eastern— (Not incl. Ill., Ind. and Ky.)	86,600		76,350	+ 2,250	75,650	85,500
Kentucky	25,500		27,500	+ 5,000	23,350	11,900
Michigan	60,100		58,600	— 500	57,550	62,900
Wyoming	98,800		104,350	+ 5,400	97,850	94,650
Montana	23,300		21,300	— 50	21,350	21,700
Colorado	6,500		7,500	+ 550	7,100	7,000
New Mexico	116,600	116,600	109,350	+ 4,300	106,100	97,650
Total East of Calif.	3,717,100		3,587,950	+ 20,300	3,509,950	3,197,150
California	835,000	§835,000	787,800	+ 1,500	780,400	738,600
Total United States	4,552,100		4,375,750	+ 21,800	4,290,350	3,935,750

*P.A.W. recommendations and state allowables represent the production of all petroleum liquids, including crude oil, condensate and natural gas derivatives recovered from oil, condensate and gas fields. Past records of production indicate, however, that certain wells may be incapable of producing the allowables granted, or may be limited by pipeline proration. Actual state production would, under such conditions, prove to be less than the allowables. The Bureau of Mines reported the daily average production of natural gasoline and allied products in June, 1943, as follows: Oklahoma, 27,000; Kansas, 4,900; Texas, 106,400; Louisiana, 19,300; Arkansas, 4,000; Illinois, 11,500; Eastern (not including Illinois, Indiana or Kentucky), 6,000; Kentucky, 2,200; Michigan, 100; Wyoming, 2,000; Montana, 300; New Mexico, 5,400; California, 46,000.

†Oklahoma, Kansas, Nebraska figures are for week ended 7 a.m. Sept. 16, 1943.

‡This is the net basic allowable as of Sept. 1 calculated on a 30-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 3 to 7 days, the entire state was ordered shut down for 9 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 9 days shut-down time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED SEPT. 18, 1943

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	Daily Refining Capacity Potential Rate	Daily Refining Capacity % Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuels	‡Stocks of Residual Fuel Oil
*Combin'd: East Coast, Texas Gulf, Louisiana Gulf, North Louisiana - Arkansas and Inland Texas	2,444	88.7	2,094	85.7	6,070	30,796	18,576	17,506
Appalachian— District No. 1	130	83.9	109	83.8	320	1,357	745	320
District No. 2	47	87.2	51	108.5	147	837	122	166
Ind., Ill., Ky.	824	85.2	771	93.6	2,694	13,935	5.898	3,416
Okla., Kans., Mo.	416	80.1	339	81.5	1,245	6,092	2,255	1,619
Rocky Mountain— District No. 3	8	26.9	8	100.0	28	60	24	29
District No. 4	139	57.7	112	80.6	356	1,200	403	731
California	817	89.9	725	88.7	1,876	17,022	12,276	43,106
Tot. U. S. B. of M. basis Sept. 18, 1943	4,825	86.4	4.209	87.2	12,736	†71,299	40,299	66.893
Tot. U. S. B. of M. basis Sept. 11, 1943	4,825	86.4	4,216	87.4	12,606	71.928	39,401	67,011
U. S. Bur. of Mines basis Sept. 19, 1942			3,740		11,128	79,077	45,133	79,722

*At the request of the Petroleum Administration for War. †Finished, 60,810,000 barrels; unfinished, 10,489,000 barrels. ‡At refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,464,000 barrels of kerosine, 4,420,000 barrels of gas oil and distillate fuel and 8,524,000 barrels of residual fuel oil produced during the week ended Sept. 18, 1943 which compares with 1,414,000 barrels, 4,162,000 barrels and 8,350,000 barrels, respectively, in the preceding week and 1,265,000 barrels, 4,215,000 barrels and 7,094,000 barrels, respectively, in the week ended Sept. 19, 1942.

Note—Stocks of kerosine amounted to 11,699,000 barrels at Sept. 18, 1943, against 11,095,000 barrels a week earlier and 12,288 barrels a year before.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES†
(Based on Average Yields)

1943— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Sept. 28	120.59	110.88	118.80	116.41	111.25	98.73	103.13	113.70	116.41
27	120.56	110.88	119.00	116.41	111.25	98.73	103.13	113.70	116.41
25	120.55	111.07	119.00	116.41	111.25	98.88	103.30	113.89	116.41
24	120.55	111.07	119.00	116.41	111.25	98.88	103.30	113.89	116.41
23	120.55	110.88	119.20	116.41	111.07	98.73	103.30	113.70	116.41
22	120.55	110.88	119.20	116.41	111.07	98.73	103.13	113.70	116.41
21	120.55	110.88	119.00	116.41	111.07	98.73	103.13	113.70	116.41
20	120.55	110.88	119.00	116.41	111.07	98.73	103.13	113.70	116.61
18	120.55	110.88	119.00	116.41	111.07	98.73	103.13	113.70	116.61
17	120.55	111.07	119.20	116.61	111.07	98.73	103.13	113.70	116.61
16	120.55	111.07	119.20	116.61	111.25	98.88	103.13	113.89	116.61
15	120.56	111.07	119.20	116.61	111.25	98.88	103.13	113.89	116.80
14	120.56	111.07	119.00	116.41	111.25	98.88	103.13	112.89	116.80
13	120.58	111.07	119.20	116.61	111.25	98.88	103.13	113.89	117.00
11	120.57	111.07	119.20	116.61	111.25	99.04	103.13	113.89	117.00
10	120.56	111.07	119.20	116.61	111.25	98.88	103.13	113.89	116.80
9	120.45	111.07	119.20	116.61	111.44	98.88	103.13	113.89	117.00
8	120.42	111.07	119.20	116.61	111.44	98.88	103.13	113.89	117.00
7	120.33	111.07	119.20	116.61	111.44	98.88	103.13	113.89	117.00
6	Exchange Closed								
4	120.30	111.07	119.20	116.61	111.44	98.88	103.13	113.89	117.00
3	120.30	111.25	119.20	116.80	111.62	98.73	103.30	113.89	117.00
2	120.29	111.25	119.20	116.80	111.62	98.73	103.30	113.89	117.00
1	120.29	111.25	119.20	116.80	111.62	98.73	103.13	113.89	117.00
Aug. 27	120.34	111.25	119.20	116.80	111.44	98.88	103.13	112.89	117.20
20	120.20	111.25	119.20	116.80	111.44	99.04	103.30	113.89	117.00
13	120.29	111.25	119.20	116.80	111.62	99.04	103.30	113.89	117.20
6	120.19	111.25	119.20	117.00	111.62	99.04	103.13	114.08	117.20
July 30	120.18	111.44	119.41	117.00	111.62	99.04	103.30	114.08	117.20
23	120.51	111.25	119.20	116.80	111.44	99.20	103.30	114.08	117.00
16	120.46	111.25	119.20	116.80	111.44	99.20	103.13	114.08	117.20
9	120.73	111.07	119.20	116.61	111.25	98.88	102.80	114.08	117.00
2	120.75	110.70	118.80	116.22	111.25	98.25	102.46	113.70	116.61
Jun 25	120.41	110.70	118.80	116.22	111.07	98.09	102.46	113.70	116.61
May 28	119.82	110.34	118.20	115.82	110.88	97.78	102.30	131.31	115.82
Apr. 30	118.36	109.79	118.00	115.43	110.34	97.00	101.31	113.12	115.63
Mar. 26	116.93	109.60	117.80	115.43	110.52	96.23	100.65	113.12	115.63
Feb 26	117.11	109.24	117.60	115.43	110.15	95.47	100.00	112.93	115.43
Jan. 29	117.04	108.70	117.60	115.04	109.79	94.56	99.04	112.56	115.43
High 1943	120.87	111.44	119.41	117.00	111.81	99.36	103.47	114.27	117.40
Low 1943	116.85	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
High 1942	118.41	107.62	117.20	114.27	108.88	92.64	97.47	112.19	114.66
Low 1942	115.90	106.04	115.43	112.75	107.09	90.63	95.32	109.60	112.75
1 Year ago Sept. 28, 1942	117.51	107.27	117.00	113.89	108.70	92.20	97.16	111.62	114.27
2 Years ago Sept. 27, 1941	119.07	107.62	118.00	115.04	108.88	91.19	96.54	111.81	115.43

MOODY'S BOND YIELD AVERAGES†
(Based on Individual Closing Prices)

1943— Daily Averages	U. S. Govt. Bonds	Avge. Corporate	Corporate by Ratings Aaa	Aa	A	Baa	Corporate by Groups R. R.	P. U.	Indus
Sept. 28	1.80	3.12	2.71	2.83	3.10	3.83	3.56	2.97	2.83
27	1.80	3.12	2.70	2.83	3.10	3.83	3.56	2.97	2.83
25	1.80	3.11	2.70	2.83	3.10	3.82	3.55	2.96	2.83
24	1.80	3.11	2.70	2.83	3.10	3.82	3.55	2.96	2.83
23	1.80	3.12	2.69	2.83	3.11	3.83	3.55	2.97	2.83
22	1.80	3.12	2.69	2.83	3.11	3.83	3.56	2.97	2.83
21	1.80	3.12	2.70	2.83	3.11	3.83	3.56	2.97	2.83
20	1.80	3.12	2.70	2.83	3.11	3.83	3.56	2.97	2.82
18	1.80	3.12	2.70	2.83	3.11	3.83	3.56	2.97	2.82
17	1.80	3.11	2.69	2.82	3.11	3.83	3.56	2.97	2.82
16	1.80	3.11	2.69	2.82	3.10	3.82	3.56	2.96	2.82
15	1.80	3.11	2.69	2.82	3.10	3.82	3.56	2.96	2.81
14	1.81	3.11	2.70	2.83	3.10	3.82	3.56	2.96	2.81
13	1.81	3.11	2.69	2.82	3.10	3.82	3.56	2.96	2.80
11	1.81	3.11	2.69	2.82	3.10	3.81	3.56	2.96	2.80
10	1.81	3.11	2.69	2.82	3.10	3.82	3.56	2.96	2.81
9	1.82	3.11	2.69	2.82	3.09	3.82	3.56	2.96	2.80
8	1.82	3.11	2.69	2.82	3.09	3.82	3.56	2.96	2.80
7	1.83	3.11	2.69	2.82	3.09	3.82	3.56	2.96	2.80
6	Exchange Closed								
4	1.83	3.11	2.69	2.82	3.09	3.82	3.56	2.96	2.80
3	1.83	3.10	2.69	2.81	3.08	3.83	3.55	2.96	2.80
2	1.83	3.10	2.69	2.81	3.08	3.82	3.55	2.96	2.80
1	1.83	3.10	2.69	2.81	3.08	3.83	3.56	2.96	2.80
Aug. 27	1.83	3.10	2.69	2.81	3.09	3.82	3.56	2.96	2.79
20	1.84	3.10	2.69	2.81	3.09	3.81	3.55	2.96	2.80
13	1.83	3.10	2.69	2.81	3.08	3.81	3.55	2.96	2.79
6	1.84	3.10	2.69	2.80	3.08	3.81	3.56	2.95	2.79
July 30	1.84	3.09	2.68	2.80	3.08	3.81	3.55	2.95	2.79
23	1.81	3.10	2.69	2.81	3.09	3.80	3.55	2.95	2.80
16	1.82	3.10	2.69	2.81	3.09	3.80	3.56	2.95	2.79
9	1.80	3.11	2.69	2.82	3.10	3.82	3.58	2.95	2.80
2	1.80	3.13	2.71	2.84	3.10	3.86	3.60	2.97	2.82
Jun 25	1.82	3.13	2.71	2.84	3.11	3.87	3.60	2.97	2.82
May 28	1.88	3.15	2.74	2.86	3.12	3.89	3.61	2.99	2.86
Apr. 30	1.98	3.18	2.75	2.88	3.15	3.94	3.67	3.00	2.87
Mar. 26	2.08	3.19	2.76	2.88	3.14	3.99	3.71	3.00	2.87
Feb 26	2.06	3.21	2.77	2.88	3.16	4.04	3.75	3.01	2.88
Jan. 29	2.06	3.24	2.77	2.90	3.18	4.10	3.81	3.03	2.88
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.09	2.68	2.80	3.07	3.79	3.54	2.94	2.78
High 1942	2.14	3.39	2.88	3.02	3.33	4.37	4.05	3.19	3.02
Low 1942	1.93	3.30	2.79	2.94	3.23	4.23	3.91	3.05	2.92
1 Year ago Sept. 28, 1942	2.04	3.32	2.80	2.96	3.24	4.26	3.93	3.08	2.94
2 Years ago Sept. 27, 1941	1.92	3.30	2.75	2.90	3.23	4.33	3.97	3.07	2.88

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Commercial Paper Outstanding

Reports received by the Federal Reserve Bank of New York from commercial paper dealers show a total of $156,200,000 of open market paper outstanding on Aug. 31, the Bank announced on Sept. 20. This was an advance of $6,400,000 from the July 31 total but a decline of $136,000,000 from Aug. 31, 1942.

Following are the totals for the last two years:

1943—	$	1942—	$
Aug 31	156,200,000	Aug 31	297,200,000
July 31	149,800,000	July 31	305,300,000
Jun 30	143,300,000	Jun 30	315,200,000
May 29	159,600,000	May 29	354,200,000
Apr 30	178,900,000	Apr 30	373,100,000
Mar 31	200,600,000	Mar 31	384,300,000
Feb 27	209,100,000	Feb 28	388,400,000
Jan 30	220,400,000	Jan 31	380,600,000
1942—		1941—	
Dec 31	229,900,000	Dec 31	374,500,000
Nov 30	260,600,000	Nov 29	387,100,000
Oct 31	271,400,000	Oct 31	377,700,000
Sep 30	281,800,000	Sep 30	370,500,000

Asks High Court Rule On Rent Control

The U. S. Supreme Court was petitioned on Sept. 7 by an association of property owners to rule on the constitutionality of the rent control provisions of the Emergency Price Control Act of 1942. The ruling was asked by Stanley W. Taylor of San Francisco, who said that he was chairman of the rent-control advisory committee of an association of property owners "representing many thousands of properties and dwelling units."

In Associated Press Washington advices of Sept. 7, it was stated:

His complaint was dismissed by the United States Emergency Court of Appeals, set up to pass upon OPA legal controversies.

"Property owners alone, of the whole economic system," his petition said, "have been rigidly 'frozen' at their worst relative economic position in history. They have been barred from the collection of any rent for the use of garages, extra rooms, extra furniture, or equipment provided at the request of tenants and necessary to provide housing for war workers.

"The Emergency Price Control Act of 1942 is the most far-reaching law ever enacted by Congress. The administrator created by the Act has issued regulations under which his agents and local administrators have undertaken to regulate and control the renting of housing accommodations and the occupancy thereof to a measure which seems altogether unreasonable and unlawful."

Whether the Supreme Court will review the case will be announced in October.

Murray Urges Cut In High Living Costs

Philip Murray, President of the Congress of Industrial Organizations, called on Congress on Sept. 12 to proceed immediately to implement the Stabilization Act of Oct. 2, 1942, and take measures to roll back the cost of living.

Addressing a mass meeting of the United Electrical, Radio and Machine Workers of America (CIO) at New York City, Mr. Murray charged that while labor has "by and large" kept its no-strike pledge, the Government has failed to observe its side of the bargain in not keeping prices down.

In the New York "Sun" of Sept. 13, his further remarks were reported as follows:

"The Austin-Wadsworth bill for the conscription of labor is unnecessary and un-American," Mr. Murray charged. At the same time he called upon labor to renew its no-strike pledge and demanded the wholesale renegotiation of war contracts in order to eliminate what he called unsound and unfairly large profits.

"As to post-war employment, Mr. Murray urged that the Administration call a conference of Government, industry and labor representatives to devise a program for full employment, asserting that thus far private industry has failed to heed the plea of labor that it cooperate with labor in the working out of such a program.

Moody's Daily Commodity Index

Tuesday, Sept. 21	248.3
Wednesday, Sept. 22	248.0
Thursday, Sept. 23	248.4
Friday, Sept. 24	248.5
Saturday, Sept. 25	248.2
Monday, Sept. 27	247.6
Tuesday, Sept. 28	247.8
Two weeks ago, Sept. 14	247.7
Month ago, Aug. 28	246.8
Year ago, Sept. 28	235.1
1942 High, Dec. 22	239.9
Low, Jan. 2	220.0
1943 High, April 1	249.8
Low, Jan. 2	240.2

Bankers' Dollar Acceptances Outstanding On Aug. 31 Decline To $130,244,000

The volume of bankers' dollar acceptances outstanding on Aug. 31 amounted to $130,244,000, a decrease of $8,448,000 from the July 31 total, according to the monthly acceptance survey issued by the Federal Reserve Bank of New York. As compared with a year ago, the Aug. 31 total represents a decline of $9,060,000.

In the month-to-month comparison, credits for dollar exchange and those based on goods stored in or shipped between foreign countries were higher, while in the year-to-year analysis only export credits were higher.

The Reserve Bank's report follows:

BANKERS' DOLLAR ACCEPTANCES OUTSTANDING—UNITED STATES BY FEDERAL RESERVE DISTRICTS

Federal Reserve District—	Aug. 31, '43	July 31, '43	Aug. 31, '42
1 Boston	$23,068,000	$28,442,000	$25,160,000
2 New York	76,604,000	79,809,000	85,152,000
3 Philadelphia	6,069,000	7,203,000	7,727,000
4 Cleveland	1,927,000	1,443,000	3,562,000
5 Richmond	1,915,000	1,719,000	1,125,000
6 Atlanta	2,597,000	2,019,000	1,684,000
7 Chicago	7,226,000	5,273,000	4,385,000
8 St. Louis	786,000	687,000	296,000
9 Minneapolis	328,000	273,000	102,000
10 Kansas City	------	------	------
11 Dallas	575,000	549,000	318,000
12 San Francisco	9,149,000	11,275,000	9,793,000
Grand Total	$130,244,000	$138,692,000	$139,304,000

Decrease for month $8,448,000 Decrease for year $9,060,000

ACCORDING TO NATURE OF CREDIT

	Aug. 31, '43	July 31, '43	Aug. 31, '42
Imports	$76,830,000	$81,471,000	$77,952,000
Exports	9,518,000	11,809,000	8,071,000
Domestic shipments	8,695,000	9,785,000	13,249,000
Domestic warehouse credits	24,433,000	25,507,000	28,228,000
Dollar exchange	244,000	195,000	331,000
Based on goods stored in or shipped between foreign countries	10,551,000	9,925,000	11,473,000

BILLS HELD BY ACCEPTING BANKS

Own Bills $58,763,000 Bills of Others $35,654,000 Total $94,417,000
Increase for month $7,939,000

CURRENT MARKET RATES ON PRIME BANKERS ACCEPTANCES, SEPT. 13, 1943

Days	Dealers' Buying Rates	Dealers' Selling Rates
30	½	7/16
60	½	7/16
90	½	7/16
120	9/16	½
150	⅝	9/16
180	⅝	9/16

The following table, compiled by us, furnishes a record of the volume of bankers' acceptances outstanding at the close of each month since Sept. 30, 1940:

1940—	$	1941—	$	1942—	$
Sept. 30	176,614,000	Sept. 30	176,801,000	Sept. 30	123,494,000
Oct. 31	186,786,000	Oct. 31	184,806,000	Oct. 31	118,581,000
Nov. 30	196,683,000	Nov. 29	193,590,000	Nov. 30	116,067,000
Dec. 31	208,659,000	Dec. 31	194,220,000	Dec. 31	118,039,000
1941—		1942—		1943—	
Jan. 31	212,777,000	Jan. 31	197,278,000	Jan. 30	119,682,000
Feb. 28	211,865,000	Feb. 28	190,010,000	Feb. 27	127,062,000
Mar. 31	217,312,000	Mar. 31	182,675,000	Mar. 31	129,818,000
Apr. 30	219,561,000	Apr. 30	177,293,000	Apr. 30	128,350,000
May 31	215,005,000	May 29	173,906,000	May 29	135,815,000
June 30	212,932,000	June 30	162,849,000	June 30	139,846,000
July 31	209,899,000	July 31	156,302,000	July 31	138,692,000
Aug. 30	197,472,000	Aug. 31	139,304,000	Aug. 31	130,244,000

FDIC Reports Insured Banks Had Record Deposits And Assets On June 30, 1943

Total deposits and total assets reported by the 13,302 insured commercial banks were higher on June 30, 1943, than on any other call date since the inauguration of deposit insurance, Chairman Leo T. Crowley of the Federal Deposit Insurance Corporation announced on Sept. 17. Total deposits amounted to $94,582,000,000, an increase of 33% over deposits for June 30, 1942. Total assets amounted to $102,405,000,000, an increase of $23,696,000,000, or 30% over the figure reported a year ago. The growth in assets was chiefly in United States Government obligations. Loans and discounts declined almost 13% from last June.

The comparative statement of assets and liabilities of all insured commercial banks issued by the Corporation also revealed the following significant items:

1. On June 30, 1943, holdings of United States Government obligations amounted to $51,542,000,000, double the figure reported for June a year ago;
2. Investments in obligations of States and political subdivisions on June 30, 1943, amounted to $3,441,000,000, a reduction of $53,000,000, or about 2% during the year period. Investments in other securities declined by 12% and amounted to $2,907,000,000 on June 30, 1943;
3. Loans and discounts amounted to $17,392,000,000, a decline of $2,531,000,000, or 13% from last June. The reduction in loans over the year was chiefly in consumer loans, although business loans also declined;
4. The banks reported cash, reserves, and funds due from banks of $25,538,000,000, on June 30, 1943, an increase of $1,156,000,000, or about 5%, since June 30, 1942;
5. Of the assets held by insured commercial banks on June 30, 1943, 25% were cash, reserves, and funds due from banks, 50% were United States Government securities, 6% were other securities, 17% were loans and discounts, and 2% were fixed and miscellaneous assets;
6. Total deposits amounted to $94,582,000,000, an increase of $23,420,000,000, or 33% since June 30, 1942. The growth in deposits reflected chiefly the purchase by the banks of U. S. Government obligations offset in part by withdrawal of currency into circulation. Deposits of the United States Government amounted to $7,774,000,000 of which $7,441,000,000 represented credits by the banks to the Treasury's war loan account in connection with the payment of securities purchased. Expenditures by the Treasury of funds obtained from the sale of securities to the banks served to increase the deposits of individuals, partnerships, and corporations. Their demand deposits with the banks were $53,423,000,000, or 36% larger on June 30, 1943, than a year ago;
7. Total capital accounts of the insured commercial banks increased by $277,000,000 over the year period, reflecting increases in surplus, undivided profits, and reserves, which more than offset retirements of preferred capital. Total capital accounts amounted to $7,229,000,000 on June 30, 1943, equal to 7.1% of book value of assets, compared with 8.8 on June 30, 1942.

PRELIMINARY STATEMENT OF ASSETS AND LIABILITIES OF INSURED COMMERCIAL BANKS AS OF JUNE 30, 1943, DEC. 31, 1942, AND JUNE 30, 1942

	June 30, 1943	Dec. 31, 1942	June 30, 1942
Number of banks	13,302	*13,347	13,403
Assets—			
Cash and funds due from banks—	(Amounts in thousands of dollars)		
In vault	1,449,901	1,306,806	1,290,745
In process of collection	3,539,563	4,116,759	2,677,505
With Federal Reserve banks	12,092,461	13,071,533	12,294,505
With other domestic banks	8,436,308	9,085,022	8,106,338
With foreign banks	19,381	13,255	12,767
Total cash and funds due from banks	25,537,614	27,593,375	24,381,860
Loans and Securities—			
U. S. Government obligations and obligations guaranteed by the U. S. Government	51,541,848	40,711,697	25,936,082
Obligations of States, political subdivisions, territorial and insular possessions	3,441,027	3,533,486	3,453,880
Other securities	2,907,248	3,099,071	3,296,466
Loans and discounts (including overdrafts)	17,392,157	18,906,869	19,922,804
Total loans and securities	75,282,280	66,251,123	52,649,232
Customers promises to pay on account of acceptances	54,208	40,808	59,333
Bank premises owned and furniture and fixtures	1,022,511	1,047,535	1,060,323
Other real estate, acquired in settlement of debt; not used as bank premises	164,306	198,800	232,429
Investments and other assets indirectly representing bank premises owned or other real estate	92,487	101,911	107,423
Other assets	252,058	225,559	218,855
Total miscellaneous assets	1,585,570	1,614,613	1,678,363
Total assets	102,405,464	95,459,111	78,709,455
Liabilities—			
Deposits—			
Individuals, partnerships, and corporations, payable on demand	53,423,385	47,128,273	39,266,281
Individuals, partnerships, and corporations, deposited for periods of time	16,897,124	15,706,335	14,889,560
U. S. Government and postal savings	7,774,190	8,228,698	1,827,528
States and political subdivisions	4,674,476	14,393,493	4,337,016
Banks	10,680,944	11,144,487	10,076,427
Others—in the form of certified and officers' checks, cash letters of credit and travelers' checks outstanding	1,132,339	1,219,141	765,619
Total deposits	94,582,458	87,820,427	71,162,431
Borrowed money	24,470	9,748	11,509
Acceptances outstanding	61,260	46,478	68,844
Other liabilities	507,936	526,224	513,851
Total miscellaneous liabilities	593,666	582,450	594,204
Total liabilities (excluding capital accounts)	95,176,124	88,402,877	71,756,635
Capital Accounts—			
Capital stock, notes, and debentures	2,841,304	2,848,630	2,858,709
Surplus (paid in by stockholders or accumulated from earnings)	2,886,829	2,801,594	2,741,404
Undivided profits	1,039,182	972,042	935,727
Amounts set aside for contingencies, etc.	462,025	433,968	416,980
Total capital accounts	7,229,340	7,056,234	6,952,820
Total liabilities and capital accounts	102,405,464	95,459,111	78,709,455

*Revised.

August Department Store Sales In New York Federal Reserve District 1% Above Year Ago

The Federal Reserve Bank of New York announced on Sept. 18 that August sales of department stores in the Second (New York) Federal Reserve District increased 1% above a year ago. The combined sales for January through August are 6% higher than in the same period last year. Stocks of merchandise on hand in department stores at the end of August were 23% below August, 1942.

The apparel stores in the New York Reserve District reported a gain of 16% in net sales in August. Their stocks on hand at the close of the month were 2% below last year.

The following is the bank's tabulation:

DEPARTMENT STORE TRADE BY MAJOR LOCALITIES AUGUST, 1943
Second Federal Reserve District

	Percentage changes from a year earlier		
	Net Sales		
Department Stores—	Aug.	Jan. thru Aug.	Stock on hand. Aug. 31, 1943
New York City	+ 3	+ 8	—25
*Northern New Jersey	—11	— 2	—32
*Newark	—12	— 1	—34
Westchester and Fairfield Counties	— 5	— 2	—22
Bridgeport	—11	— 4	—28
Lower Hudson River Valley	+ 7	+ 4	— 2
Poughkeepsie	+ 9	+ 6	--
Upper Hudson River Valley	— 3	— 1	0
Albany	— 4	— 6	--
Schenectady	0	+ 6	+ 2
Central New York State	+ 8	+12	—10
Mohawk River Valley	+ 1	+13	—17
Utica	— 2	+12	--
Syracuse	+12	+11	— 7
*Northern New York State	+ 2	+ 4	--
Southern New York State	+ 3	+11	+ 3
Binghamton	+ 7	+16	--
Elmira	—11	— 4	--
Western New York State	+ 6	+11	—12
Buffalo	+10	+13	— 7
Niagara Falls	+13	+32	— 1
Rochester	+ 2	+ 8	—22
*All department stores	+ 1	+ 6	—23
*Apparel stores	+16	+21	— 2

*Subject to possible revision.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS
Second Federal Reserve District
[1923-25 average = 100]

	1942	1943		
	Aug.	June	July	Aug.
Sales (average daily), unadjusted	*94	110	*91	95
Sales (average daily), seasonally adjusted	123	115	*128	125
Stocks, unadjusted	*165	104	*106	123
Stocks, seasonally adjusted	*169	109	*117	127

*Revised.

Danger In Post-War Boom Seen By Brown

The danger of an immediate post-war boom, rather than a depression, with unemployment practically non-existent, was forecast by Lewis H. Brown, President of Johns-Manville Corp., on Sept. 24.

Speaking before the annual meeting of the American Trade Executives Association in New York City, Mr. Brown said the problem "will be to prevent a disasterous runaway which could, if allowed to go uncontrolled, lead to an eventual collapse and depression."

He pointed out that, "because of years of restricted production for our normal domestic markets, there will be huge accumulated shortages that must be supplied, and the job of reconverting to peace in itself will be a tremendous one."

According to Mr. Brown "false and unjustified fears" are creating a dangerous and misguided phychology similar to the approach used in meeting the unemployment problem of the 1930's, Mr. Brown declared.

With differing conditions to be met when the war ends, Mr. Brown stated that the approach to post-war problems should be with entirely different methods than were used in the depression years. The New York "Times" also reports him as saying:

"While meeting the post-war demands the nation should be laying plans to launch new enterprises and to cross the many new horizons that will lie before us in the post-war era which will come after the reconversion period."

Says U. S. Must Also Prove Itself "Arsenal Of Spiritual Values"

President Roosevelt, in a letter endorsing Religious Week, Sept. 26-Oct. 3, declared on Sept. 8 that the United States must prove itself "an arsenal of spiritual values" if a lasting peace is to be gained. The President's letter was addressed to Dr. Roy G. Ross of the International Council of Religious Education, Chicago, sponsor of the observance, according to Chicago advices to the New York "Times," which reported the President as saying:

"We have already proved that we are the arsenal of democracy, but this accomplishment, great as it is, will not suffice to gain us that just and durable peace for which we strive unless we prove also that we are an arsenal of spiritual values. Unless we have faith in freedom, in brotherhood and in the rational direction of life, a faith undismayed by all obstacles, our labor and our sacrifices in the present struggle must assuredly be in vain.

"This faith is not easily come by. The selfishness of some individuals, the greed for power of some organized groups, and the not infrequent miscarriage of plans for human betterment all tempt us at times to adopt a cynical view of human nature and its possibilities. We need on such occasions to live above our immediate experiences, to see the slow, difficult but constant struggle of our forebears toward the realization of these ideals. We need education and re-education in the dynamic concepts which have made of this hemisphere a new world."

New Cotton Exch. Member

Eric Alliot, President of the New York Cotton Exchange, announces the election of Chessley B. Howard, Jr., of Memphis, Tenn., to membership in the Exchange. Mr. Howard is a partner of E. H. Sanders Cotton Co.

Individuals' Liquid Saving in Second Quarter At Same Level As In First Three Months

The Securities and Exchange Commission, in its analysis of saving by individuals in the United States covering the second quarter of 1943, showed that the rate of liquid saving remained at about the same level as in the first quarter of the year, in spite of an increase in income after payment of taxes. This result, the SEC said, reflects the normal seasonal decline in the rate of saving during the second quarter of the year but may also indicate an increase in the propensity to consume totally apart from seasonal factors. In the three months, April through June, individuals added $2,900,000,000 to their cash and deposits; $4,200,000,000 to their holdings of U. S. Government bonds; and $800,000,000 to their equity in private insurance, mostly life insurance. They also paid off somewhat less than $50,000,000 of mortgage debt and $200,000,000 of consumer indebtedness other than mortgages.

The SEC announcement Sept. 16 added:

"There were notable changes in the composition of saving in the second quarter of 1943 as compared with the pattern established in the preceding 12 months. In contrast to prior quarters, individuals added more to their holdings of U. S. Government securities than to their cash on hand and in banks, largely as a result of the Second War Loan Drive in April. Saving in the form of U. S. Government securities during this quarter not only constituted the largest component of individuals' current saving but also reached the highest point on record.

"While additions to cash on hand and in banks continued to be substantial, they were at the lowest level since the second quarter of 1942. The smaller accumulation of money in the second quarter of 1943 as compared with prior quarters was, as mentioned above, largely a result of the Second War Loan Drive in April, but it may also have reflected in part the enactment of the Current Tax Payment Act of 1943 which freed for other purposes, including on the one hand increased purchases of Government securities and on the other increased consumption, funds which had been earmarked for payment of taxes.

"In addition to the increased importance of saving in the form of Government securities as compared to cash and deposits, the most significant feature of the pattern of saving in the second quarter of 1943 was the substantial decline in the liquidation of consumer debt. Individuals paid off only $200,000,000 in the second quarter in contrast to $650,000,000 in the first quarter. (This does not include the reduction in consumers' indebtedness to unincorporated business, estimated at about $75,000,000 in the second quarter of 1943, and $150,000,000 in the first quarter.) The decrease in this form of saving is partly due to seasonal factors and partly to the fact that individuals have already paid off the bulk of their outstanding installment obligations.

"It will be noted that the above estimates include the saving of unincorporated businesses, i.e., tradesmen, farmers, etc., as well as the saving of consumers. There is some evidence that a considerable part of individuals' liquid saving since the beginning of the War has been attributable to such unincorporated businesses as a result of greatly increased profits. Such profits have been reflected in substantial increases in cash and deposits. (Part of the increase in cash and deposits reflects a liquidation of inventories and receivables of unincorporated trade (net of retirement of notes and accounts payable). Although the amount of this increase is not known, it is believed to have been less than $200,000,000 in the second quarter of 1943 and even smaller in the first quarter of the year). However, in spite of the large accumulation of cash and deposits by unincorporated businesses included in the above estimates, the increase in cash and deposits held by the consuming public has been greater by far and has been of unprecedented volume during the past year. While there is as yet no reliable measure of the distribution of total saving or the components of saving between consumers and unincorporated businesses, an attempt is currently being made to obtain such data."

The following table presents in detail the estimates of saving by individuals (including unincorporated businesses) on which the above analysis is based:

GROSS SAVINGS BY INDIVIDUALS IN THE UNITED STATES*

1940-1943. (Billions of dollars)

	1940	1941	1942	1943 Jan.-March	1943 April-June
Gross saving	16.1	24.7	38.7	11.0	11.3
†Liquid saving	4.3	10.3	29.4	9.1	9.1
Gross Saving By Type—					
1. Currency and bank deposits	+ 3.0	+ 5.3	+11.6	‡+ 4.0	+ 2.9
2. Savings and loan associations	+ .3	+ .4	+ .4	+ .1	+ .2
3. Insurance and pension reserves:					
a. Private insurance	+ 1.7	+ 2.1	+ 2.4	+ .8	+ .8
b. Government insurance	+ 1.2	+ 1.8	+ 2.4	+ .7	+ 1.0
c. Total	+ 2.9	+ 3.8	+ 4.9	+ 1.5	+ 1.7
4. §Securities:					
a. U. S. Savings bonds	+ .9	+ 2.8	+ 8.0	+ 2.6	+ 3.0
b Other U. S. Government	— .2	+ .4	+ 2.0	0	+ 1.2
c. State and local governments	— .1	— .2	— .1	0	0
d. Corporate and other	— .5	— .5	+ .3	+ .2	— .2
e. Total	+ .1	+ 2.4	+10.2	+ 2.7	+ 4.0
5. Non-farm dwellings:					
a. ¶Purchases	+ 2.5	+ 3.0	+ 1.6	+ .2	+ .2
b. Change in debt	+ .9	+ 1.1	+ .3	— .1	0
c. Saving (a. minus b.)	+ 1.7	+ 1.9	+ 1.3	+ .3	+ .3
6. **Automobiles and other durable consumers' goods	+ 9.3	+11.4	+ 7.6	+ 1.6	+ 2.0
7. ††Liquidation of debt, not elsewhere classified	— 1.1	— .6	+ 2.8	+ .7	+ .2

*Includes unincorporated business saving of the types specified. Does not include corporate or government saving.

†Gross saving excluding purchases of homes as well as of automobiles and other durable consumers' goods.

‡Revised.

§Does not include purchases by brokers and dealers financed by bank loans.

¶New construction of one- to four-family nonfarm homes less net acquisition of properties by non-individuals.

**Purchases. Based on Department of Commerce data on commodity flow currently being revised. The figures shown above include all new passenger cars sold in the United States.

††Largely attributable to purchases of automobiles and other durable consumers' goods, although including some debt arising from purchases of consumption goods. The other segments of individuals' debt have been allocated to the assets to which they pertain, viz., saving in savings and loan associations, insurance, securities and homes. Changes in the commercial indebtedness of unincorporated business and in consumers' indebtedness to unincorporated business are not included in these figures.

Note—The foregoing data have been compiled by the Commission from many different sources. Because of the nature of the figures, current data are necessarily estimates and, therefore, are subject to revision. Figures are rounded and will not necessarily add to totals.

In addition to the estimates of saving by individuals, the Commission also made public estimates of corporate saving, excluding banks and insurance companies, in the form of increases in cash and deposits, Government securities, and inventories, and the offsetting increases in Federal income tax liabilities for the second quarter of 1943 and prior periods. (These estimates are based on Securities and Exchange Commission, Treasury Department, and Department of Commerce data).

	Change 1940	Change 1941	Change 1942	Change 1943 Jan.-March	Change 1943 April-June	Level as of 6-30-43
	(Billions of dollars)					
Currency and bank deposits	+2.2	+ .4	+3.3	+2.9	*+ .6	*20.1
U. S. Government securities	— .3	+2.4	+6.0	+ .5	+2.6	13.4
Inventories	+1.8	+5.8	+1.5	— .4	— .5	26.2
Federal income tax liabilities	+1.2	+4.5	+4.9	0	+ .6	12.5

*Somewhat less than $500,000,000 of this amount represented Victory taxes withheld by corporations (other than banks and insurance companies) but not paid to the Treasury Department until the next quarter.

It is planned to make the estimates of corporate saving in these and additional forms a regular part of the releases in the future. The addition of these other forms of saving in subsequent releases will, of course, give a much more adequate picture of the financial condition of corporations and their liquid position. In this way the volume and most significant components of the saving of all important segments of the national economy will be available.

Electric Output For Week Ended Sept. 25, 1943, Shows 17.2% Gain Over Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Sept. 25, 1943, was approximately 4,359,610,000 kwh., compared with 3,720,254,000 kwh. in the corresponding week last year, an increase of 17.2%. The output for the week ended Sept. 18, 1943, was 16.0% in excess of the similar period of 1942.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

Major Geographical Divisions—	Week Ended Sept. 25	Sept. 18	Sept. 11	Sept. 4
New England	6.3	4.7	6.2	5.9
Middle Atlantic	18.4	14.4	19.1	19.6
Central Industrial	13.9	13.5	15.1	14.3
West Central	9.2	9.0	10.3	11.9
Southern States	20.0	20.0	23.3	26.1
Rocky Mountain	15.1	19.0	18.5	17.7
Pacific Coast	26.5	23.8	22.4	22.4
Total United States	17.2	16.0	18.0	18.4

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1943	1942	% Change 1943 over 1942	1941	1932	1929
July 3	4,110.793	3,424,188	+20.1	2,903,727	1,341,730	1,592,075
July 10	3,919,398	3,428,916	+14.3	3,178.054	1,415,704	1,711.625
July 17	4,184,143	3,565,367	+17.4	3,199,105	1,433,993	1,727,225
July 24	4,196,357	3,625,645	+15.7	3,220,526	1,440,386	1,732,031
July 31	4.226,705	3,649,146	+15.8	3,263,082	1,426,986	1,724,728
Aug 7	4,240,638	3,637,070	+16.6	3.233,242	1,415,122	1,729,667
Aug 14	4,287,827	3,654,795	+17.3	3,238,160	1,431,910	1,733,110
Aug 21	4,264,825	3,673,717	+16.1	3,230,750	1,436,440	1,750,056
Aug 28	4,322,195	3,639,961	+18.7	3,261,149	1,464,700	1,761,594
Sep 4	4,350,511	3,672,921	+18.4	3,132,954	1,423,977	1,674,588
Sep 11	4,229,262	3,583,408	+18.0	3,322,346	1,476,442	1,806,259
Sep. 18	4,358,512	3,756,922	+16.0	3,273,375	1,490,863	1,792,131
Sep. 25	4,359,610	3,720,254	+17.2	3.273,376	1,499,459	1,777,854

Non-Ferrous Metals—OPA Announces Amended Price Schedule For Tin—Copper Sales Active

Editor's Note—At the direction of the Office of Censorship certain production and shipment figures and other data have been omitted for the duration of the war.

"E. & M. J. Metal and Mineral Markets," in its issue of Sept. 23 stated: "An amended price schedule for tin was announced by OPA during the last week, chiefly to provide for ceiling prices on minor grades that have appeared on the market since the original order was issued in August, 1941. 'Grade A' tin continues at 52¢ per pound. Copper allocation certificates for next month came through in volume, as expected. Distribution of foreign lead was determined at a meeting of industry and WPB officials held in New York on Sept. 20. The situation in zinc was quiet. Advices from Mexico report that Finance Minister Suarez has issued an order prohibiting the export of silver pesos." The publication further went on to say in part:

Copper

Growing labor shortages at brass mills threaten to reduce output, according to reports from the Valley. So far, however, the demand for copper from that area has ben maintained. Though the labor situation at the mines has improved in some districts, shortages still exist in various quarters.

Sales departments were active last week on October allocations. As in recent months, a fair tonnage will be moved into the stockpile. The price situation was unchanged.

The Copper Division of WPB last week notified sellers that business may be accepted as soon as the customer has obtained word to the effect that he is entitled to purchase the metal in shapes called for on his order. Such certification, specifying the allocation number and other necessary information, may be accepted by the seller in the place of the actual allocation certificate as heretofore required.

Lead

At the meeting held on Sept. 20 to discuss October allocations of foreign lead, some requests for lead were modified, particularly in instances where consumers are carrying a substantial inventory. Total distribution of lead during October—domestic and foreign—should hold close to the 65,000-ton level, which is accepted as a highly satisfactory showing under present conditions.

Zinc

Labor shortages at the mines and smelters continue to be a disturbing factor in the zinc industry. The market situation in the metal remains unchanged, with the emergency stockpile still increasing. Owing to the fact that military and Lend-Lease needs may increase on short notice, the authorities in Washington are not expected to do much in the near future in the way of releasing more metal for civilian consumption. October allocations of zinc are expected next week.

Prime Western zinc continues at 8.25c., St. Louis.

Aluminum

The aluminum industry soon will be producing, or surpassing, its goal of 2,100,000,000 lb. of aluminum annually, Roy A. Hunt, President of the Aluminum Co. of America, stated last week. The Government has become the owner of plants with more capacity than all privately-owned companies in the industry combined. Forging capacity of the Aluminum Co. of America at the end of this year will be 45 times its peacetime peak, he added. The company's $250,000,000 plant expansion program is rapidly nearing completion.

Tin

OPA's price schedule for tin (Maximum Price Regulation No. 17) has been amended to bring the document in line with prevailing conditions in the industry. "Grade A" tin, the principal grade sold in this market, continues at 52c. per pound. The maximum price for "Grade B" has been raised one-quarter cent to 51⅞c. Longhorn 2 Star, having a minimum tin content of 99.50%, carries a maximum of 51½c. This grade previously was not covered in the price schedule and sold on the same basis as ordinary Chinese tin at 51⅛c.

Maximum prices on the various grades, in cents per pound, effective Sept. 22, follow:

Grade		Price
A	99.80% or higher, meeting Treasury and Procurement Division specifications	52
B	99.80% or higher, not meeting Grade A specifications, and not more than .05% arsenic	51⅞
C	99.65% to 99.79%	51⅝
D	99.50% to 99.64%	51½
E	99.00% to 99.49%	51⅛
F	Below 99% for tin content	51

A provision has been added to the order for sales by Metals Reserve Co. covering less than carload lots from inland warehouses.

Straits quality tin for shipment, in cents per pound, was as follows:

	Sept.	Oct.	Nov.
Sept. 16	52.000	52.000	52.000
Sept. 17	52.000	52.000	52.000
Sept. 18	52.000	52.000	52.000
Sept. 20	52.000	52.000	52.000
Sept. 21	52.000	52.000	52.000
Sept. 22	52.000	52.000	52.000

Chinese, or 99% tin, continues at 51,125c. a pound.

Manganese Ores

Effective Sept. 11, sellers of manganese ores have been authorized by the Office of Price Administration to use Atlantic basing points in sales calling for delivery in the area east of the Mississippi and north of the Ohio. This action is covered in Amendment 3 to MPR 248.

Quicksilver

Consumption of quicksilver is expected to improve moderately as a result of the recent order easing the regulations governing use of the metal. Interest in forward shipments of quicksilver has declined, traders report, and more metal is expected to go into the stockpile. So far as prices are concerned, the market last week was unchanged. New York quotations continued at $196 to $198 per flask.

Silver

During the past week the silver market in London has been quiet, with the price unchanged at 23½d.

The New York Official and the U. S. Treasury prices are also unchanged at 44¾c. and 35c., respectively.

Daily Prices

The daily prices of electrolytic copper (domestic and export, refinery), lead, zinc and Straits tin were unchanged from those appearing in the "Commercial and Financial Chronicle" of July 31, 1942, page 380.

Trading On New York Exchanges

The Securities and Exchange Commission made public on Sept. 25 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Sept. 11, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Sept. 11 (in round-lot transactions) totaled 1,260,435 shares, which amount was 17.88% of the total transactions on the Exchange of 3,526,460 shares. This compares with member trading during the week ended Sept. 4 of 856,020 shares, or 15.71% of total trading of 2,723,610 shares. On the New York Curb Exchange, member trading during the week ended Sept. 11 amounted to 235,895 shares, or 15.04% of the total volume of that exchange of 784,145 shares; during the Sept. 4 week trading for the account of Curb members of 176,675 shares was 13.05% of total trading of 673,000 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED SEPT. 11, 1943

	Total for week	†Per Cent
A. Total Round-Lot Sales:		
Short sales	82,280	
‡Other sales	3,444,080	
Total sales	3,526,460	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	305,110	
Short sales	36,790	
‡Other sales	248,830	
Total sales	285,620	8.38
2. Other transactions initiated on the floor—		
Total purchases	236,010	
Short sales	10,420	
‡Other sales	162,350	
Total sales	172,770	5.80
3. Other transactions initiated off the floor—		
Total purchases	131,890	
Short sales	11,600	
‡Other sales	117,435	
Total sales	129,035	3.70
4. Total—		
Total purchases	673,010	
Short sales	58,810	
‡Other sales	528,615	
Total sales	587,425	17.88

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED SEPT. 11, 1943

	Total for week	†Per Cent
A. Total Round-Lot Sales:		
Short sales	5,010	
‡Other sales	779,135	
Total sales	784,145	
B. Round-Lot Transactions for the Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	53,575	
Short sales	2,960	
‡Other sales	68,040	
Total sales	71,000	7.94
2. Other transactions initiated on the floor—		
Total purchases	17,325	
Short sales	1,400	
‡Other sales	13,900	
Total sales	15,300	2.08
3. Other transactions initiated off the floor—		
Total purchases	43,930	
Short sales	200	
‡Other sales	34,565	
Total sales	34,765	5.02
4. Total—		
Total purchases	114,830	
Short sales	4,560	
‡Other sales	116,505	
Total sales	121,065	15.04
C. Odd-Lot Transactions for the Account of Specialists—		
Customers' short sales	50	
§Customers' other sales	35,943	
Total purchases	35,993	
Total sales	22,279	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Weekly Coal And Coke Production Statistics

The Solid Fuels Administration for War, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended Sept. 18, 1943 is estimated at 12,100,000 net tons, as compared with 11,575,000 tons in the preceding week and 11,704,000 tons in the corresponding period last year. Total estimated production of soft coal to date exceeded that for the same period in 1942 by 1.9%.

The U. S. Bureau of Mines estimated that the total output of Pennsylvania anthracite for the week ended Sept. 18, 1943 was 1,263,000 tons, an increase of 73,000 tons (6.1%) over the preceding week. When compared with the production for the corresponding week in 1942, however, there was a decrease of 2,000 tons, or 0.2%. The calendar year 1943 to date shows an increase of less than 0.1% when compared with the same period of 1942.

The Bureau of Mines also reported that the estimated production of byproduct coke in the United States for the week ended Sept. 18, 1943 showed an increase of 1,800 tons when compared with the output for the week ended Sept. 11, 1943. The quantity of coke from beehive ovens increased 1,700 tons during the same period.

ESTIMATED UNITED STATES PRODUCTION OF COAL WITH COMPARABLE DATA ON PRODUCTION OF CRUDE PETROLEUM

(In Net Tons—000 Omitted.)

	Week Ended			January 1 to Date		
Bituminous coal and lignite—	Sep. 18, 1943	†Sep. 11, 1943	Sep. 19, 1942	‡Sep. 18, 1943	Sep. 19, 1942	Sep. 18 1937
Total, incl. mine fuel	12,100	11,575	11,704	421,037	413,214	313,371
Daily average	2,017	§2,031	1,951	1,899	1,883	1,428
*Crude petroleum—						
Coal equivalent of weekly output	7.010	6,974	6,304	239,271	226,940	207,569

*Total barrels produced during the week converted into equivalent coal assuming 6,000,000 B.t.u. per barrel of oil and 13,100 B.t.u. per pound of coal. Note that most of the supply of petroleum products is not directly competitive with coal. (Minerals Yearbook, Review of 1940, page 775). †Revised. ‡Subject to current adjustment. §Labor Day, Sept. 6, weighted as 0.7 of a normal working day.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

	Week Ended			Cal. Year to Date		
Penn. anthracite—	§Sep. 18, 1943	¶Sep. 11, 1943	Sep. 19, 1942	Sep. 18, 1943	Sep. 19, 1942	Sep. 21, 1929
*Total incl. coll. fuel	1,263,000	1,190,000	1,265,000	43,724,000	43,714,000	50,274,000
†Commercial production	1,212,000	1,142,000	1,214,000	41,974,000	41,965,000	46,654,000
By-product coke—						
United States total	1,244,100	1,242,300	1,209,600	45,340,900	44,438,500	‡
Beehive coke—						
United States total	164,800	163,100	164,300	5,638,600	5,926,400	4,004,100

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes washery fuel. ‡Comparable data not available. §Subject to revision. ¶Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES

(In Thousands of Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended					Sept. average,
State—	Sep. 11, 1943	Sep. 4, 1943	Sep. 12, 1942	Sep. 13, 1941	Sep. 11, 1937	¶1923
Alabama	362	383	235	324	242	406
Alaska	5	5	5	5	3	**
Arkansas and Oklahoma	84	92	85	106	56	96
Colorado	131	153	147	163	114	214
Georgia and North Carolina	1	1	1	1	1	**
Illinois	1,333	1,508	1,182	1,097	806	1,587
Indiana	501	536	483	455	275	550
Iowa	39	43	50	57	59	117
Kansas and Missouri	142	161	159	138	114	168
Kentucky—Eastern	949	939	894	1,015	718	713
Kentucky—Western	302	314	221	207	142	248
Maryland	32	35	33	44	25	40
Michigan	4	5	5	7	8	27
Montana (bituminous and lignite)	93	99	72	70	48	68
New Mexico	34	37	28	28	26	56
North and South Dakota (lignite)	35	36	32	43	29	**27
Ohio	653	648	619	685	417	861
Pennsylvania (bituminous)	2,782	2,905	2,575	2,904	1,988	3,585
Tennessee	120	128	138	154	91	119
Texas (bituminous and lignite)	4	3	8	6	21	26
Utah	93	110	96	108	77	103
Virginia	409	404	387	428	267	245
Washington	27	25	35	43	29	58
*West Virginia—Southern	2,272	2,233	2,126	2,392	1,711	1,474
†West Virginia—Northern	998	1,035	830	888	493	857
Wyoming	169	171	137	167	103	165
‡Other Western States	1	1	††	1	††	**4
Total bituminous and lignite	11,575	12,010	10,683	11,536	7,863	11,814
§Pennsylvania anthracite	1,190	1,254	1,163	1,281	617	714
Total all coal	12,765	13,264	11,846	12,817	8,480	12,528

*Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. †Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. ‡Includes Arizona, California, Idaho, Nevada and Oregon. §Data for Pennsylvania anthracite from published records of the Bureau of Mines. ¶Average weekly rate for entire month. **Alaska, Georgia, North Carolina, and South Dakota included with "Other Western States." ††Less than 1,000 tons.

National Fertilizer Association Price Index Advances Fractionally

The rising trend in the general level of wholesale commodity prices continued last week, according to the wholesale price index compiled by The National Fertilizer Association, and made public on Sept. 27. In the week ended Sept. 25 this index rose to 135.9 from 135.8 in the preceding week. A month ago the index stood at 135.3 and a year ago at 130.0, based on the 1935-1939 average as 100. The Association's report went on to say:

Hog and choice cattle prices generally advanced during the week, causing the livestock group to reach a new high for this year. Price quotations for lamb and good cattle declined slightly. The farm products group continued to advance as higher quotations were noted for timothy hay, cotton, eggs, and fluid milk. Slight declines in wheat, oats, and rye were not sufficient to offset these price rises. An increase in eggs and fluid milk caused a further upturn in the foods group. The textiles group registered a fractional advance due to a slight increase in cotton. Industrial commodities remained at the same level as the preceding week.

During the week 8 price series included in the index advanced and 6 declined; in the preceding week there were 10 advances and 3 declines; and in the second preceding week there 6 advances and 3 declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Sep. 25, 1943	Preceding Week Sep. 18, 1943	Month Ago Aug. 28, 1943	Year Ago Sep. 26, 1942
25.3	Foods	139.7	139.4	138.6	132.2
	Fats and Oils	146.5	146.5	145.7	141.2
	Cottonseed Oil	162.4	162.4	161.3	153.9
23.0	Farm Products	157.9	157.4	155.6	142.1
	Cotton	194.2	193.5	194.0	178.0
	Grains	150.6	152.3	147.9	119.0
	Livestock	154.3	153.2	151.6	142.0
17.3	Fuels	122.8	122.8	122.8	119.3
10.8	Miscellaneous commodities	131.4	131.4	131.0	126.7
8.2	Textiles	150.6	150.5	150.3	147.2
7.1	Metals	104.4	104.4	104.4	104.4
6.1	Building materials	152.5	152.5	152.5	151.5
1.3	Chemicals and drugs	127.7	127.7	126.6	120.7
.3	Fertilizer materials	117.7	117.7	117.7	117.9
.3	Fertilizers	119.8	119.8	119.8	115.3
.3	Farm machinery	104.1	104.1	104.1	104.1
100.0	All groups combined	135.9	135.8	135.3	130.0

*Indexes on 1926-1928 base were Sept. 25, 1943, 105.9; Sept. 18, 105.8; and Sept. 26, 1942, 101.3.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Sept. 25 a summary for the week ended Sept. 18 of complete figures showing the daily volume of stock transactions for the odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Sept. 18, 1943

	Total for Week
Odd-Lot Sales by Dealers: (Customers' purchases)	
Number of orders	14,896
Number of shares	416,759
Dollar value	16,305,377
Odd-Lot Purchases by Dealers— (Customers' Sales)	
Number of Orders:	
Customers' short sales	123
*Cuctomers' other sales	16,957
Customers 'total sales	17,080
Number of Shares:	
Customers' short sales	3,414
*Customers' other sales	417,099
Customers' total sales	420,513
Dollar value	13,990,156
Round-lot Sales by Dealers—	
Number of Shares:	
Short sales	60
†Other sales	126,315
Total sales	126,375
Round-Lot Purchases by Dealers—	
Number of shares	124,770

*Sales marked "short exempt" are reported with "other sales." †Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Roosevelt Proposed As Peace Parley Chairman By Vice-Pres. Wallace

Vice President Henry A. Wallace suggested on Sept. 10 that President Roosevelt be named permanent chairman of the peace conference after the war.

Mr. Wallace told a press conference in Chicago that Mr. Roosevelt could preside at the peace table and continue to be President of the United States. He added that it "is unthinkable that Mr. Roosevelt should not be at the peace table."

In United Press Chicago advices it was further reported:

Mr. Wallace said he had not discussed his proposal with anyone and that "the President probably will be tremendously surprised when he hears what I say."

Declaring he would like to "throw out a thought," the Vice President added:

"With peace approaching, there is one man who is exceedingly important to peace proceedings above any other man in the world. He is a man who by his face-to-face contacts and who by his knowledge of language and geography would have an extraordinary influence on the peace table.

"Obviously my plan could not take place unless the American people were for it and unless the leaders of England, Russia and China were for it."

When asked what he thought of having Prime Minister Winston Churchill as chairman of the peace conference, Mr. Wallace said:

"Well, I'm an American."

"I am not suggesting that this peace table would insure permanent peace," he said. "This would be just the first step."

Mr. Wallace said he advanced the idea because the United States is looked upon "with less suspicion by the United Nations" and has less territorial claims than other countries.

Referring to Italy's surrender, Mr. Wallace said that it "indicates to all that peace is closer than most of us thought some months ago."

Revenue Freight Car Loadings During Week Ended Sept. 18, 1943 Increased 68,095 Cars

Loading of revenue freight for the week ended Sept. 18, 1943, totaled 902,766 cars, the Association of American Railroads announced on Sept. 24. This was a decrease below the corresponding week of 1942 of 333 cars, or 0.4% and a decrease below the same week in 1941 of 5,203 cars or 0.6%.

Loading of revenue freight for the week of Sept. 18, increased 68,095 cars, or 8.2% above the preceding week which included Labor Day holiday.

Miscellaneous freight loading totaled 399,902 cars, an increase of 32,441 cars above the preceding week, but a decrease of 21,925 cars below the corresponding week in 1942.

Loading of merchandise less than carload lot freight totaled 101,655 cars, an increase of 8,413 cars above the preceding week, and an increase of 13,176 cars above the corresponding week in 1942.

Coal loading amounted to 179,158 cars, an increase of 9,058 cars above the preceding week, and an increase of 9,894 cars above the corresponding week in 1942.

Grain and grain products loading totaled 54,124 cars, an increase of 6,356 cars above the preceding week, and an increase of 3,543 cars above the corresponding week in 1942. In the Western Districts alone, grain and grain products loading for the week of Sept. 18, totaled 38,284 cars, an increase of 3,802 cars above the preceding week and an increase of 2,724 cars above the corresponding week in 1942.

Live stock loading amounted to 20,950 cars, an increase of 4,449 cars above the preceding week, and an increase of 1,740 cars above the corresponding week in 1942. In the Western Districts alone, loading of live stock for the week of Sept. 18, totaled 16,210 cars, an increase of 3,759 cars above the preceding week, and an increase of 1,227 cars above the corresponding week in 1942.

Forest products loading totaled 45,631 cars, an increase of 3,843 cars above the preceding week but a decrease of 4,386 cars below the corresponding week in 1942.

Ore loading amounted to 86,661 cars, an increase of 3,323 cars above the preceding week but a decrease of 2,751 cars below the corresponding week in 1942.

Coke loading amounted to 14,685 cars, an increase of 212 cars above the preceding week, and an increase of 376 cars above the corresponding week in 1942.

All districts reported increases compared with the corresponding week in 1942, except the Southern, Northwestern, and Southwestern. All districts reported increases compared with 1941 except the Eastern, Allegheny and Southern.

	1943	1942	1941
5 weeks of January	3,530,849	3,858,479	3,454,409
4 weeks of February	3,055,640	3,122,942	2,866,565
4 weeks of March	3,073,426	3,174,781	3,066,011
4 weeks of April	3,136,253	3,350,996	2,793,630
5 weeks of May	4,149,708	4,170,548	4,160,060
4 weeks of June	3,151,146	3,385,655	3,510,057
5 weeks of July	4,307,406	4,185,135	4,295,457
4 weeks of August	3,554,446	3,487,905	3,581,350
Week of September 4	901,075	887,960	797,791
Week of September 11	834,671	814,897	914,656
Week of September 18	902,766	903,099	907,969
Total	30,597,386	31,342,397	30,347,955

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Sept. 18, 1943. During this period 61 roads showed increases when compared with the corresponding week last year.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS)—WEEK ENDED SEPT. 18

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1943	1942	1941	1943	1942
Eastern District—					
Ann Arbor	226	330	632	1,471	1,344
Bangor & Aroostook	1,017	817	892	195	152
Boston & Maine	7,059	6,156	9,119	14,690	13,799
Chicago, Indianapolis & Louisville	1,332	1,506	1,754	2,096	2,050
Central Indiana	31	26	26	71	54
Central Vermont	995	1,037	1,491	2,601	2,790
Delaware & Hudson	6,207	6,364	7,386	11,420	11,684
Delaware, Lackawanna & Western	7,496	7,695	10,330	11,354	10,323
Detroit & Mackinac	200	532	295	133	211
Detroit, Toledo & Ironton	2,104	1,781	2,453	1,286	1,228
Detroit & Toledo Shore Line	369	304	365	2,625	2,900
Erie	13,622	12,879	16,128	19,189	17,561
Grand Trunk Western	4,003	4,769	5,896	7,319	8,515
Lehigh & Hudson River	220	162	165	2,687	3,323
Lehigh & New England	1,957	2,248	1,465	1,702	2,103
Lehigh Valley	9,170	9,214	9,019	14,399	13,936
Maine Central	2,448	2,464	3,267	2,642	2,697
Monongahela	6,188	6,462	6,374	457	409
Montour	2,355	2,407	2,209	134	35
New York Central Lines	55,355	51,325	52,672	56,686	60,566
N. Y., N. H. & Hartford	9,721	8,772	13,117	18,726	19,573
New York, Ontario & Western	1,229	1,034	1,259	2,464	2,583
New York, Chicago & St. Louis	7,623	9,404	7,274	16,034	16,621
N. Y., Susquehanna & Western	656	377	537	1,522	2,446
Pittsburgh & Lake Erie	7,762	7,828	8,614	8,556	9,234
Pere Marquette	5,549	5,564	6,529	8,003	6,396
Pittsburg & Shawmut	977	872	676	19	28
Pittsburg, Shawmut & North	379	364	391	250	321
Pittsburgh & West Virginia	1,205	963	1,166	2,992	3,134
Rutland	372	417	579	1,099	929
Wabash	6,290	5,943	6,265	13,220	13,001
Wheeling & Lake Erie	5,861	5,679	5,765	4,554	5,022
Total	169,978	165,695	184,110	230,596	234,968
Allegheny District—					
Akron, Canton & Youngstown	761	790	728	1,227	1,336
Baltimore & Ohio	45,778	43,589	43,141	29,820	26,543
Bessemer & Lake Erie	6,980	6,949	6,348	2,173	2,590
Buffalo Creek & Gauley	279	291	306	4	3
Cambria & Indiana	1,826	1,912	1,966	6	9
Central R. R. of New Jersey	7,335	7,470	8,020	22,452	20,618
Cornwall	664	651	642	58	56
Cumberland & Pennsylvania	225	246	304	16	10
Ligonier Valley	140	127	118	29	52
Long Island	1,894	1,099	965	4,199	3,465
Penn-Reading Seashore Lines	1,959	1,947	2,223	2,939	2,367
Pennsylvania System	86,160	85,238	89,098	67,126	67,652
Reading Co.	15,974	15,154	17,776	29,497	29,254
Union (Pittsburgh)	21,060	21,269	20,494	8,345	7,450
Western Maryland	4,554	4,282	4,442	13,111	12,666
Total	195,589	191,014	196,571	181,002	174,071
Pocahontas District—					
Chesapeake & Ohio	29,425	28,131	29,127	13,832	14,476
Norfolk & Western	22,673	22,765	21,456	7,011	7,683
Virginian	4,749	4,678	4,690	2,409	2,352
Total	56,847	55,574	55,273	23,252	24,511
Southern District—					
Alabama, Tennessee & Northern	276	321	412	346	346
Atl. & W. P.—W. R. R. of Ala.	658	703	1,001	2,671	2,955
Atlanta, Birmingham & Coast	764	690	813	1,053	1,127
Atlantic Coast Line	11,346	11,158	10,797	9,911	9,947
Central of Georgia	3,811	4,177	4,586	4,234	4,781
Charleston & Western Carolina	345	369	444	1,452	1,662
Clinchfield	1,521	1,787	1,807	2,677	2,755
Columbus & Greenville	410	537	412	146	261
Durham & Southern	100	122	201	447	833
Florida East Coast	1,286	657	450	1,782	1,503
Gainesville Midland	35	28	41	114	97
Georgia	1,205	1,450	1,366	3,299	2,622
Georgia & Florida	467	356	427	564	628
Gulf, Mobile & Ohio	4,085	4,226	4,561	4,234	4,573
Illinois Central System	28,721	30,009	29,675	16,872	18,486
Louisville & Nashville	25,220	26,155	26,317	11,880	11,933
Macon, Dublin & Savannah	240	190	211	657	645
Mississippi Central	295	237	244	484	578
Nashville, Chattanooga & St. L.	3,381	3,670	3,852	5,062	4,747
Norfolk Southern	1,031	1,501	1,580	1,641	2,265
Piedmont Northern	384	330	539	1,396	1,326
Richmond, Fred. & Potomac	462	491	485	9,715	8,143
Seaboard Air Line	9,864	10,512	10,255	8,323	8,655
Southern System	23,081	23,494	26,355	23,940	24,693
Tennessee Central	480	465	571	1,031	1,042
Winston-Salem Southbound	144	106	175	990	1,047
Total	119,612	123,741	127,577	114,921	117,640
Northwestern District—					
Chicago & North Western	23,388	21,775	23,274	14,871	14,258
Chicago Great Western	2,900	2,904	3,061	3,138	3,520
Chicago, Milw., St. P. & Pac.	22,573	21,650	24,178	10,918	10,970
Chicago, St. Paul, Minn. & Omaha	4,160	4,275	4,333	4,131	4,356
Duluth, Missabe & Iron Range	29,829	33,265	22,701	349	357
Duluth, South Shore & Atlantic	1,202	1,515	1,128	538	1,375
Elgin, Joliet & Eastern	8,576	10,164	10,864	10,363	10,834
Ft. Dodge, Des Moines & South	484	570	716	86	93
Great Northern	26,998	29,263	26,911	5,851	5,829
Green Bay & Western	544	501	620	1,008	722
Lake Superior & Ishpeming	2,325	2,575	3,348	57	66
Minneapolis & St. Louis	2,400	2,232	2,149	2,277	2,370
Minn., St. Paul & S. S. M.	8,242	8,611	7,873	2,708	3,047
Spokane International	11,957	13,645	12,630	5,341	5,180
Northern Pacific	275	262	208	486	655
Spokane, Portland & Seattle	2,862	2,854	2,722	3,157	3,253
Total	148,715	156,061	146,721	65,279	66,885
Central Western District—					
Atch., Top. & Santa Fe System	24,554	24,530	22,669	13,206	13,526
Alton	3,358	3,454	3,567	3,982	4,935
Bingham & Garfield	574	922	656	101	104
Chicago, Burlington & Quincy	21,569	20,161	18,431	13,022	12,442
Chicago & Illinois Midland	2,945	2,611	2,925	770	1,031
Chicago, Rock Island & Pacific	13,302	14,004	14,060	11,878	13,005
Chicago & Eastern Illinois	2,785	2,733	2,934	5,607	4,635
Colorado & Southern	899	1,020	997	2,073	1,870
Denver & Rio Grande Western	4,460	4,767	4,525	6,568	6,125
Denver & Salt Lake	912	1,008	1,053	9	22
Fort Worth & Denver City	1,512	1,532	1,049	1,863	1,673
Illinois Terminal	1,771	1,857	1,961	1,896	2,589
Missouri-Illinois	1,277	1,318	1,175	472	463
Nevada Northern	2,159	2,234	1,972	153	109
North Western Pacific	1,191	1,057	1,288	684	630
Peoria & Pekin Union	14	8	9	0	0
Southern Pacific (Pacific)	33,722	33,356	32,130	14,352	10,461
Toledo, Peoria & Western	295	304	421	1,831	1,706
Union Pacific System	17,701	16,350	18,162	17,718	16,488
Utah	587	621	536	9	6
Western Pacific	2,113	2,760	3,119	5,317	3,139
Total	137,700	136,607	133,639	101,511	94,959
Southwestern District—					
Burlington-Rock Island	356	739	179	214	212
Gulf Coast Lines	5,447	4,952	3,412	3,008	2,934
International-Great Northern	2,763	2,892	2,336	3,411	2,756
Kansas, Oklahoma & Gulf	633	329	238	1,024	1,193
Kansas City Southern	5,044	5,278	2,777	2,998	2,974
Louisiana & Arkansas	3,243	4,038	2,727	2,573	2,021
Litchfield & Madison	313	243	365	1,831	1,232
Midland Valley	835	818	890	323	235
Missouri & Arkansas	185	193	199	411	393
Missouri-Kansas-Texas Lines	6,516	5,794	4,972	5,921	5,044
Missouri Pacific	18,940	18,997	18,929	19,197	21,857
Quanah Acme & Pacific	161	76	119	271	226
St. Louis-San Francisco	9,030	10,064	10,663	8,864	8,601
St. Louis Southwestern	3,126	3,059	3,521	6,435	6,419
Texas & New Orleans	12,206	12,411	8,407	5,178	4,361
Texas & Pacific	5,390	4,414	4,173	6,699	7,160
Wichita Falls & Southern	116	97	154	45	30
Weatherford M. W. & N. W.	21	13	17	38	33
Total	74,325	74,407	64,078	68,441	67,681

Note—Previous year's figures revised.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1943—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity	
				Current	Cumulative
July 3	179,835	144,232	580,683	92	93
July 10	111,912	100,115	573,342	69	93
July 17	151,993	140,803	587,181	91	93
July 24	136,881	148,852	572,786	97	93
July 31	153,646	150,337	571,705	97	93
Aug. 7	177,541	146,515	600,338	94	93
Aug. 14	143,629	154,747	586,901	98	93
Aug. 21	133,446	150,012	568,361	95	93
Ang. 28	148,381	147,494	570,859	96	93
Sept. 4	177,766	150,943	598,255	97	93
Sept. 11	121,125	126,427	589,323	83	93
Sept. 18	153,708	157,082	583,714	98	93

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Conference Urges Single Food Agency To Unify Program

The National Food Conference at Chicago urged Congress on Sept. 17 to take steps to obtain maximum agricultural output, and to unify "the whole food production, processing and distribution program" in one Government agency.

The conferees, brought together by Frank Gannett, Rochester (N. Y.) publisher, in Chicago at the suggestion of agricultural officials of 16 States, adopted a resolution calling for legislation to accomplish these objectives, according to the Associated Press advices from Chicago.

"1. Fair prices at the market place instead of the present system of subsidies which tends to place food production and distribution under bureaucratic control.

"2. That no rollback of prices be financed out of Government funds and no subsidies, either direct or by subterfuge, be paid.

"3. Obtain maximum production as the best means to halt inflation, protect consumers and militate against the further growth of black markets.

"4. When increased production is requested by the Government, floor prices must be guaranteed on all such commodities to insure against loss to those assuming such war risk.

"5. Timely provision for skilled labor, necessary machinery, supplies and equipment must be made.

"6. Unification of the whole food production, processing and distribution program through the establishment, by act of Congress, of one Government agency."

The two-day meeting, attended by farm organization officials and farmers, and by representatives of processors and distributors, approved, according to the Associated Press, a preamble to its program which set forth:

"A serious food situation confronts us because of bungling, complicated and unworkable regulations by bureaucrats, and misunderstandings between producers and non-producing consumers.

"Consumers must recognize that any attempts to hold down consumer prices which discourage production are bound to encourage black markets and must ultimately lead to dangerous shortages and perhaps actual famine. . . .

"To get adequate production of food, producer and processor must be put on an equality with the manufacturer of munitions of war, and to that end agriculture must be declared an essential war industry."

Lumber Movement—Week Ended Sept. 18, 1943

According to the National Lumber Manufacturers Association, lumber shipments of 458 mills reporting to the National Lumber Trade Barometer were 2.1% below production for the week ended Sept. 18, 1943. In the same week new orders of these mills were 6.4% less than production. Unfilled order files in the reporting mills amounted to 102% of stocks. For reporting softwood mills, unfilled orders are equivalent to 40 days' production at the current rate, and gross stocks are equivalent to 36 days' production.

For the year to date, shipments of reporting identical mills exceeded production by 8.4%; orders by 10.0%.

Compared to the average corresponding week of 1935-39 production of reporting mills was 15.7% greater; shipments were 20.1% greater, and orders were 9.3% greater.

PE

Items About Banks, Trust Companies

The board of directors of the Chase National Bank of New York authorized on Sept. 22 an increase of $21,460,000 in the surplus account of the bank, raising it from $100,270,000 to $121,730,000. Capital remains unchanged at $100,270,000. This increase in the surplus reflects an enlarged capital position made possible as a result of recoveries, improved earnings, and profits realized on the sale of securities.

A comparative table of the bank's capital funds at the end of last year and as of Sept. 30 after giving effect to the Sept. 22 action, (with undivided profits estimated for Sept. 30), is shown below:

	Sept. 30, 1943	Dec. 31, 1942
Capital	$100,270,000	$100,270,000
Surplus	121,730,000	100,270,000
Undivided profits	43,200,000	45,049,000
Total	$265,200,000	$245,589,000

It is anticipated that the reserve for contingencies as of Sept. 30 will amount to about $12,300,000, compared with $11,810,000 on Dec. 31, 1942.

Frederick B. Beach of The National City Bank of New York celebrated his 50th anniversary of employment on Sept. 20. Mr. Beach began his service as a messenger at the age of 16 with the Bank of America. He rotated through the banking departments and at 30 was made a Collection Clerk. In 1930 he became a Per Procuration Signer and authorized officer, and joined National City when it absorbed Bank of America in 1931. He now holds the record for the longest employment service of any National City Bank employee. Looking back through the years he recalls the day when the Bank buildings were in converted homes; when there were no telephones, one adding machine, one typewriter, and a single stenographer—male. Those were the days, says Mr. Beach, when the East River froze over so that it was possible to walk across it, and the single-decker ferries to Jersey were held up for hours by the heavy ice floes.

William F. Bleakley, of the firm of Bleakley, Platt & Walker, has been elected a director of Lawyers Trust Company of New York. A former Judge of the New York Supreme Court, Judge Bleakley is Moreland Commissioner, appointed by Gov Lehman and reappointed by Gov. Dewey, to investigate the administration of the Workmen's Compensation Law. He is also counsel to the Joint Legislative Commissioner of the State of New York on Reapportionment.

Admission of the Farmers & Merchants Trust Co. of Greenville, Pa., to the Federal Reserve System, Fourth (Cleveland) District, was announced on Sept. 24 by Matthew J. Fleming, President of the Federal Reserve Bank of Cleveland. The Greenville bank, founded 41 years ago, has doubled its assets in the last five years and now has assets totaling $3,750,000.

George R. Herzog, Cashier of the Union Bank of Commerce, Cleveland, has been advanced to Vice-President and Cashier, the bank announces. At the same time Laurence A. Cordrey, Assistant Cashier, was promoted to Assistant Vice-President. Mr. Herzog has been Cashier of the bank since its establishment in 1938. He is a graduate of the Wharton School of Commerce of the University of Pennsylvania, and went to Cleveland from Philadelphia in 1927. He is regarded as an authority on banking methods and last year served as Secretary-Treasurer of the Cleveland Clearing House Association in addition to his regular duties. Mr. Cordrey has been a banker in Cleveland since 1909. He became Credit Manager of the Union Bank of Commerce when it opened five years ago and was promoted to Assistant Cashier in May, 1940. He is also Vice-President of the Cleveland Chapter of the Robert Morris Associates.

The State Bank of Howards Grove, Sheboygan, Wis., has been admitted to membership in the Federal Reserve System Seventh (Chicago) District.

The Peoples State Bank, Rocksprings, Tex., has been admitted to membership in the Federal Reserve System Eleventh (Dallas) District.

Appointment of Harry McClelland as Vice-President of Bank of America National Trust & Savings Association, San Francisco, has been announced by L. M. Giannini, President of the institution. Mr. McClelland, whose chief assignment will be to keep in touch with the various agricultural problems of the State, succeeds Jesse W. Tapp, who was recently elected President of Axton-Fisher Tobacco Co., Inc., Louisville, Ky. Mr. McClelland is well known among California farmers, having been closely identified with the agricultural interests since 1931. In that year he left the State Department of Public Works to join the California Lands organization (now Capital Co.). From 1933 to his current appointment he was Vice-President in charge of the firm's farm operations.

He is a native Californian, born at Woodbridge, an agricultural community in San Joaquin County. He will maintain his office at the headquarters of the Bank of America in San Francisco.

Sees Small Business Strong After War

Small business will continue to be the backbone of this nation after the war, DeWitt Emery, President of the National Small Business Men's Association, said in a nation-wide radio broadcast on Sept. 10. He appeared as one of several business leaders discussing the post-war responsibility of business in providing jobs on the National Broadcasting Company's program, "For This We Fight." Mr. Emery cited figures indicating the importance of small business in the pre-war industrial life of our country. The 1939 Census of Manufacturers, he said, shows that 99.5% of almost 190,000 manufacturing concerns listed by the census employed less than a thousand wage earners each. Of the total of almost 8,000,000 wage earners employed by all manufacturing concerns in 1939, 77.6% were employed by firms having less than a thousand employees each. Using the figure of 1,000 employees to indicate the dividing line between "big" and "small" businesses, Mr. Emery pointed out that there were only 810 "big" business firms in 1939.

"There are some people," said Mr. Emery, "who believe there is no place for small business in the post-war picture. If small business was important enough and rugged enough to occupy the position it did in 1939, after nine or 10 years of mighty tough sledding, you can depend on it that small business will be going strong in the post-war period. Our Association has long been urging small manufacturers to work out production, material and parts schedules now and put their requirements on order with their supply sources to assure shipment with the least possible loss of time when the shooting stops."

ABA Resolutions Reaffirm Faith In Dual Banking System—Oppose Socialized Credit

Endorse Participation In Post-War Plans But Insist Currencies Be Based On Gold

The American Bankers Association, in reaffirming at its annual meeting in New York earlier this month, its faith in the dual banking system of chartered banks, State and National, declared it will support every effort for its preservation. In its resolution the Association in pointing out that the dual system "has been an important factor in preserving the principle of States rights," and has "played a vital part in maintaining economic freedom and political economy," declares that "any successful attempt to unify the banking system under the domination of the Federal Government would destroy this safeguard to basic rights and to independent enterprise."

The Association also registered its support of "the view that our own progress and that of the world require our active participation with other countries in dealing with post-war problems." However, it maintains that any currency stabilization plan in which this nation may agree to assist "should incorporate the principle that the value of currencies should be fixed in terms of gold."

The bankers also declared it as their belief "that Government loans or the guarantee of loans are not only unnecessary for the financing of post-war commercial enterprise," but are "contrary to sound financial policy."

The resolutions reasserted the opposition of the Association "to the socialization of credit by Government" and "to Government subsidized credit"; among other things the Association's Committee on Federal Legislation was directed "to continue its efforts to secure legislative relief for chartered banking from the destructive effects of such credit." The resolutions follow in full:

Participation of Banks in the War Effort

American banking is an essential part of the American economic order. It is cognizant of its war-time duties and responsibilities. By the extension of substantial credit for war production, by leadership in the sale and distribution of war bonds to the public, by the liberal purchase of Government securities for its own portfolios, by active participation in the "Food-for-Freedom" program, by performing the service of ration banking, by acting as depositaries of withheld taxes, American banks have proved they can carry whatever responsibilities the war may yet impose. This they have done in the face of a continuing drain on their personnel, and nothwithstanding rising costs and immense increases in the demand for normal services.

We are fully aware that the war is not yet won. Heavier duties and greater sacrifices lie ahead. Banking is ready. We renew our pledge to accept whatever responsibility the cause of victory may require.

Financing the War

The cost of the war should be met by taxation to the maximum extent consistent with production, the maintenance of morale and incentive, the preservation of the economic structure, and the establishment by industry of adequate post-war reconversion reserves.

Borrowing should be first from current income; then from the idle funds of individuals and corporations; and lastly, from the banks of the nation, the lending powers of which should be employed only to the extent necessary after exhausting the other two sources. It is in the best tradition of democracy that lending by individuals should be voluntary.

We do especially commend and endorse the efforts of the Treasury to secure as wide a distribution of war savings bonds among our people as may be possible.

Non-essential Expenditures

While we recognize that the nation must resort to deficit financing as long as the war lasts, we urge that Government reduce to a minimum the expense of its non-war activities. In calling upon individuals to make financial sacrifices in support of the war effort, Government should set the example.

Subsidized and Socialized Credits

The American Bankers Association reasserts its opposition to the socialization of credit by Government and to Government subsidized credit as expressed in the statement of the Association made on Jan. 21, 1943.

In order to carry out the objectives contained in that statement, the Committee on Federal Legislation is hereby directed:

1. To continue its efforts to secure legislative relief for chartered banking from the destructive effects of such credit;

2. To seek enactment of Senate Bill 914, introduced by Senator Wherry;

3. To seek forthwith and vigorously support a thorough Congressional investigation of the Production Credit System in order that the truth as to the soundness of methods and cost of operations may be ascertained and given to the members of Congress and to the taxpayers of the nation; to seek such appropriate Congressional action as may be required to protect the American system of chartered banking against its destruction through Government subsidized lending operations. In order that the principles and issues involved in the Production Credit System may not be confused and complicated with those of other agencies, the Committee on Federal Legislation is directed to seek an investigation of the Production Credit System separate from all other agencies;

4. To support the purposes of Senate Concurrent Resolution 8, introduced by Senator Butler; and

5. To support the efforts of those farm organizations which are endeavoring to free agricultural credit from political control.

Government Guaranteed Loans

War production financing inevitably required certain credit devices which cannot be justified after the termination of the War Procurement Program.

Banking has made an impressive volume of war production loans under guarantees, and a substantially equivalent volume on its own resposibility. We now declare our belief that Government loans or the guarantee of loans are not only unnecessary for the financing of post-war commercial enterprise, but are actually contrary to sound financial policy and the best interests of the American economy.

Banking Manpower

Banking has thus far met the demands made upon its personnel by the armed services. It is our belief, however, that any further depletion of banking manpower may cause a breakdown in our endeavors to render the services which are so important to this nation. We trust that the appropriate officials of Government will give thoughtful consideration to this vital problem.

Dual System of Banking

The dual system of chartered banks, state and national, is a product of our form of constitutional government. It has been an important factor in preserving the principle of States rights and has played a vital part in maintaining economic freedom and political democracy for the individual, the community, and the nation. Any successful attempt to unify the banking system under the domination of the Federal Government would destroy this safeguard to basic rights and to independent enterprise. The American Bankers Association reaffirms its faith in the dual banking system and will support every effort for its preservation.

Post-War Economy

This Association supports the view that our own progress and well-being, and that of the world, require our active participation with other countries in dealing with post-war problems. Such participation may require generous aid in stricken areas to relieve distress. In addition there will undoubtedly be need of cooperation in measures to restore stability of currencies, broaden the flow of commerce between nations, and encourage international capital investment for rehabilitation and development. But any plan in which this nation may agree to assist in the stabilization or reestablishment of foreign currencies should incorporate the principle that the value of currencies be fixed in terms of gold. Financial and commercial relations with other countries should accord with sound business principles. While recognizing that enlightened self-interest calls for our participation in efforts to build a better world, yet we fully realize that achievement of the goal depends primarily upon the efforts of people everywhere to help themselves.

President Revises Lend-Lease Letter

President Roosevelt sent to Congress on Sept. 14 a revised letter of transmittal which accompanied his Aug. 25 lend-lease report, removing the two sentences which implied that lend-lease aid would not be repaid as far as possible although not necessarily in dollars. The excised part of the original text read as follows:

"The Congress in passing and extending the lend-lease Act made it plain that the United States wants no new war debts to jeopardize the coming peace. Victory and a secure peace are the only coin in which we can be repaid."

The President's recent press conference explanation of this planned action was noted in our issue of Sept. 9, page 1004. The original text of the letter appeared in these columns of Sept. 2, page 927.

Elk Hills Oil Contract Ended By President

An agreement terminating the Navy Department's contract with the Standard Oil Co. of California for mutual development of the Elk Hills (Calif.) oil reserve was approved on Sept. 8 by President Roosevelt.

The termination agreement, it is reported, does not provide for a substitute arrangement to govern operation of the joint properties of the Standard Oil Co. and the Government within the Elk Hills Naval Petroleum Reserve beyond a ninety-day period in which efforts are to be made to come to a permanent agreement.

The Navy announced in June that it would end the contract after the Justice Department had ruled that the proposed arrangement exceeded the authority granted by law; this was indicated in our issue of July 8, page 136.